Austria	Sch 18	Indonesia	Rp 2500	Portugal	Esc 75
Bahrain	Din 0.650	Italy	L 1100	S. Arabia	Rls 6.00
Belgium	BFr 38	Japan	Y550	Singapore	S$ 4.10
Canada	C$2.00	Jordan	Fils 500	Spain	Pta 100
Cyprus	Mils 600	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	DKr 7.25	Lebanon	L£ 8.00	Sweden	SKr 6.50
Egypt	E£ 1.00	Luxembourg	LFr 38	Switzerland	Fr 2.00
Finland	FMk 5.50	Malaysia	Rin 4.25	Taiwan	NT$ 65
France	FFr 6.00	Mexico	Pes. 300	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 180
Greece	Dr 60	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	NKr 6.00	U.S.A.	$1.50
India	Rup. 15	Philippines	Pes 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Cost of ensuring security in Galilee, Page 4

Israeli bombers strike as U.S. marines quit Beirut

BY PATRICK COCKBURN IN BEIRUT AND DAVID LENNON IN TEL AVIV

THE United States' marine peace-keeping force started its withdrawal from Beirut yesterday, as Israeli bombers again struck targets to the east of the Lebanese capital.

U.S. officials were at pains to play down the significance of moving the 1,300-strong force to ships offshore. But the troops' departure was seen in Beirut as marking a significant reduction in U.S. support for Lebanese President Amin Gemayel, and reflecting the Reagan Administration's election-year decision to move the Lebanese issue away from the centre of its Middle East policy.

"Please use the word relocating – we are not evacuating," said a marine spokesman yesterday, announcing the final orders to withdraw. Most of the heavy equipment at the marine base has already been removed by helicopter and landing craft to the more than 20 U.S. ships cruising off the Lebanese coast.

As the U.S. pulls out its marines, Israel appears to be increasing its military involvement in Lebanon. Israeli warplanes attacked Palestinian guerrilla positions yesterday, the second such strike this week.

An Army spokesman in Tel Aviv said that the Israeli jets hit four targets near the Beirut-Damascus highway. An Israeli armoured column also moved up the coast road to just south of Damour, some 12 miles south of Beirut, but later withdrew. Prof Moshe Arens, the Israeli Defence Minister, told a Knesset committee that a larger than usual Israeli force had spent the last few days north of the Awali River the Israeli front line.

He said the force had been checking the area for guerrillas, and that this and earlier patrols were solely designed to protect Israel's interests and to demonstrate that Israel has not abandoned the area.

Diplomats in Beirut do not believe that Israel has significantly altered its policy on Lebanon.

Meanwhile, Mr Walid Jumblatt and Mr Nabih Berri, the key opposition leaders in Lebanon, say they have agreed with Palestinian leaders that armed Palestinians are to be kept out of Beirut. Mr Berri said that the Palestinians in refugee camps would be protected by his Shia Moslem militiamen.

Almost all the fighting against the Lebanese army over the past six months has been conducted by the Druze and Shia militias, according to diplomats, but some Palestinian units opposed to the leadership of Mr Yassir Arafat have moved in to areas captured by the Druze.

On the diplomatic front, opposition members in Beirut said that Saudi Arabia had put forward a new four-point truce plan calling for the public abrogation by President Gemayel of the May 17 troop withdrawal agreement between Lebanon and Israel and the appointment of a new prime minister.

The plan did not, however, incorporate opposition demands for Mr Gemayel's resignation, a point on which they appear increasingly determined. Both Mr Jumblatt and Mr Berri hold him responsible for the heavy civilian casualties in recent fighting.

Prof Moshe Arens

The opposition's hostility to the President makes it difficult for Saudi Arabia, whose Crown Prince Abdullah bin Abdul Aziz has been in Damascus but is scheduled to leave for London today, to break the diplomatic deadlock.

President Gemayel is reported to have rejected Syria's proposals for ending the present crisis.

NEWS SUMMARY

GENERAL

Terrorists 'bugged' Ulster politician

Republic of Ireland Premier Dr Garret FitzGerald told parliament that a terrorist organisation was probably responsible for the bugging of a Dublin house used by an Ulster politician.

But he rejected opposition calls for a full inquiry. He said that men posing as post office workers had planted a microphone and a transmitter in a house owned by friends of Northern Ireland Social Democratic and Labour Party deputy leader Seamus Mallon.

Dr FitzGerald said police believed a subversive organisation was responsible. The Provisional IRA, it was indicated, was strongly suspected, and the equipment was meant to be discovered to generate confusion and cause worry to Mr Mallon. Page 2

In Belfast, Republican prisoners in Crumlin Road jail were said to be starting a hunger strike in protest against the use of informers in court cases.

U.S. Namibia office

The U.S. is to open an office in Namibia to monitor the Angola war ceasefire. Page 4

Nine die in Punjab

Nine people died as Hindu-Sikh violence flared again in the Punjab.

Argentine war bill

Argentina's Economy Minister Bernardo Grinspun said the cost of the country's campaign to capture the Falkland Islands was about $5bn.

Nicaragua elections

Nicaragua has brought forward its planned 1985 elections to next November, Foreign Trade Minister Alejandro Martine said in Canberra, Australia. Page 6

Iraq claims success

Iran said it shot down a helicopter near Abadan, and killed more than 200 Iraqi soldiers.

Soviet space launch

Soviet Union launched an unmanned spacecraft intended to link with Salyut-7, which has been in orbit, manned by three astronauts, for 12 days.

1,200 stranded

More than 1,200 air passengers were still stranded yesterday at Karachi airport, following fire on Monday which severely damaged the departure area.

Police killer jailed

A white South African security policeman, Sergeant Jan van As, was jailed for 10 years after being found guilty of killing a black political detainee in Soweto, near Johannesburg. He is believed to be the first security policeman convicted of killing a detainee.

Chinese discovery

Chinese archaeologists have found terraces, glazed bricks and porcelain in the north-west region of Ningxia which they believe are the ruins of an imperial palace built more than 900 years ago.

HQ staff cash in

More than half of the estimated 7,000 employees at the UK secret communications headquarters at Cheltenham have accepted the £1,000 ($1,444) government offer to give up union membership, Premier Margaret Thatcher announced. Page 7

BUSINESS

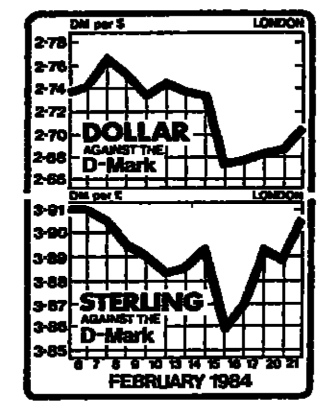
EEC in final bid to settle UK row

EEC is planning a final bid ahead of next month's EEC summit to try to settle the long-standing row over Britain's budget contribution – but the proposals may not please the UK. Page 14

WALL STREET: Dow Jones industrial average closed down 9.53 at 1,139.34. Report, Page 21. Full share prices, Pages 22–24

TOKYO: Nikkei Dow index closed 32.81 up at 9,970.64. Stock Exchange index gained 2.09 at 770.78. Report, Page 21. Leading prices, other exchanges, Page 24

LONDON: FT Industrial Ordinary index was 6.8 up at 819.3. Government securities showed small gains. Report, Page 25; FT Share Information Service, Pages 26, 27.



DOLLAR was firm rising to DM 2.7035 (DM 2.6865), FFr 8.3425 (FFr 8.2825), SwFr 2.2175 (SwFr 2.206), and Y234 (Y233.4). Its Bank of England trade-weighted index rose from 128.8 to 129.2. In New York it closed at DM 2.6852; FFr 8.285; SwFr 2.205 and Y233.7. Page 31

STERLING eased by 20 points to $1.444, but rose to DM 3.905 (DM 3.8875), FFr 12.045 (FFr 11.9725), SwFr 3.205 (SwFr 3.1925) and Y338 (Y337.75). Its trade weighting was up from 82.3 to 82.7. In New York it closed at $1.446. Page 31

GOLD rose $3.05 in London to $388.5. In Frankfurt it closed at $389.75 and in Zurich at $389. In New York the Comex February settlement was $388.4 ($384.7). Page 30. On the London stock exchange the FT gold mine share index rose 15.5 to 632.4.

COCOA futures continued their slide in London. Page 30

WEST GERMAN Cartel Office has fined 16 insulation material companies a total of DM 6.7m ($2.5m) for illegal price and quota agreements. Page 15

WARNER Communications, the U.S. electronics and entertainment group, reported final quarter profits of $6.9m compared with $33m in the corresponding 1982 quarter. A full year loss of $417.8m, compared with 1982's $257.8m profit, was attributed to losses at the company's Atari video game and home computer subsidiary.

SEMPERIT, Austrian tyre maker, has government backing for Sch 1.2bn ($63m) credit to modernise, and says it halved its 1982 loss of Sch 659m last year. Page 15

SHIN-ETSU of Japan, one of the world's top three producers of silicon for semiconductors, plans to set up a £30m ($43m) plant near Edinburgh, Scotland, creating 600 jobs. Page 14

PACIFIC Power and Light became the first major group to write off its investment in the mothballed Washington nuclear power plant, at a charge to its fourth-quarter earnings of $158m. Page 14

CHRYSLER, the U.S. motor group, is raising $206m on the Euromarkets. Page 14

London stock market cuts gilt commission as step to reforms

BY JOHN MOORE, CITY CORRESPONDENT, IN LONDON

Fixed scales of commission on securities deals in the London stock market are to be dismantled on a set date – the so-called "big bang" system for their exit – but not before the autumn of 1985.

As an interim step, the stock exchange yesterday announced a big cut in its minimum scales of commission on dealings in government securities.

The stock exchange warned, after a council meeting, that it would need sufficient time to ensure that its central market would remain liquid and that investors had adequate protection before commissions were finally dismantled. That would require new technology that would make any abandonment of present commission scales impossible before autumn next year.

The changes now under way were triggered by proposals agreed with the Government to allow greater competition in the stock market.

In return for exempting the stock exchange from the effects of restrictive practices legislation, the Government insisted that it dismantle its minimum scales of commission in stages by December 1986.

But after consultation with the main users of the stock market, such as pension funds, insurance companies, and investment trusts, who have all argued that it would be disruptive to dismantle the commission scales in stages, the stock exchange has decided to set a single date for the changes.

The National Association of Pension Funds argued last November that, as an interim measure, minimum scales of commission should be reduced on dealings in gilt-edged securities.

Negotiated commissions are to be brought into operation on overseas securities as an interim measure on April 9, in a move initiated by the stock exchange. The latest measure on gilt-edged securities is in direct response to the representations of the market and the users.

In long-dated gilt-edged stock with maturity dates over 15 years, *commission rate reductions could* average 13 per cent of the present scales. In medium-dated gilt-edged stock, with maturity dates of between five and 15 years, the average cut could be around 11 per cent.

The cuts have caused a row in the stock exchange and a rift between big gilt-edged stockbrokers and the rest of the market.

"They have hit the wrong target," one broker said. "Instead of rearranging deck chairs and emasculating sound businesses, they should concentrate on rebuilding and restructuring the stock exchange.

"The move has been forced by the large equity brokers, who feel that it may give them more breathing space before they have to go ahead and dismantle commissions on equities."

Other brokers with a smaller proportion of their business in gilt-edged securities said the move was a good one which would allow broking firms to make adjustments in dealing with lower returns on gilt-edged business ahead of the total abolition of minimum commission scales. "It will reduce the shock of having to negotiate deals on transactions," was one view.

Originally it was argued by stock market users that commissions should be dismantled on a set date not later than the end of this year or the beginning of next year. But the stock exchange emphasised yesterday that it would want to "be satisfied that adequate measures to ensure the continuing liquidity and efficiency of the central market and the proper protection of investors will have been devised by the time minimum commissions are finally dismantled."

Editorial comment, Page 12: Lex, Page 14

Mondale clears first hurdle with resounding win

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

FORMER Vice-President Walter Mondale swept to a resounding victory in the first important test of the U.S. election year, Monday night's Iowa caucuses, confirming his massive lead in the contest for the Democratic presidential nomination.

The big loser in Iowa was Senator John Glenn of Ohio, who slumped dramatically to a humiliating fifth place among the eight candidates after confidently expecting to finish second.

The main surprises in a poll that had increasingly focused on the struggle for second and third place were the relatively strong showings by senator Gary Hart of Colorado and former Senator George McGovern of South Dakota, the badly beaten Democratic candidate in the 1972 presidential elections.

With most of the results from the state's 2,495 precinct caucuses counted, Mr Mondale had the support of 48.9 per cent of the Democrats who voted, followed by Mr Hart with 16.45 per cent, Mr McGovern with 10.25 per cent and Senator Alan Cranston of California with a disappointing 7.43 per cent.

The former astronaut Mr Glenn won only 3.45 per cent – on a day that ironically marked the 22nd anniversary of his famous first orbital spaceflight. Mr Reubin Askew won 2.49 per cent, Mr Jesse Jackson 1.53 per cent and Senator Fritz Hollings 0.04 per cent, with the remainder uncommitted.

Mr Glenn, whose campaign has been fading badly in recent weeks, confessed to being "out-hustled and out-organised" in Iowa, but refused to treat the defeat as a serious threat to his candidacy. He confidently predicted that he would fare much better in next Tuesday's first primary vote in New Hampshire, and said that it was "preposterous" to suggest that he should now drop out.

The Iowa vote has nevertheless deprived him of his previous claim to be Mr Mondale's only real rival in a two-person race. Another serious defeat in New Hampshire, where the voters will almost certainly be influenced by the Iowa results, might deal him a near-fatal blow.

A triumphant Mr Hart, who was Mr McGovern's campaign manager in 1972, said the contest should now narrow quickly to a two-person race between himself and Mr Mondale. He predicted that he would ultimately win the nomination, now that the race had "dramatically rearranged itself."

Mr Hart's optimism, however, could not alter the fact that Mr Mondale's three-to-one victory had put him in an even stronger position than before in his nomination bid. Mr Tip O'Neill, the influential Democratic Speaker of the House of Representatives, on Monday said he expected Mr Mondale to have the nomination locked up within three of four weeks.

Continued on Page 14

Japanese attacked over Kobe Steel deal with Iran

By Peter Bruce in London and Terry Povey in Tokyo

THE Japanese Government is likely to come under strong West German and Austrian pressure today to force the cancellation of a $182m steel plant contract between Iran and Japan's Kobe Steel yesterday.

After the announcement by Kobe in Tokyo, Düsseldorf-based Korf Engineering, part of the Austrian steel and engineering giant Voest Alpine, accused Kobe of breaking an exclusive licensing agreement, *giving Korf sole rights to sell* specialised direct reduction technology to Iran.

Korf accused Kobe of "licence cannibalism" and warned that the deal "might have a negative impact on the economic relations between Japan and the Federal Republic of Germany."

It is understood that the West German Ambassador in Tokyo tried to head off the deal in talks with the Japanese Government last week. The Austrian Government is also being pressed to make representations to the Japanese Government.

Direct reduction technology, which cuts out the blast furnace in the iron making process, was pioneered by Midrex in the U.S. Mr Willy Korf bought this company in 1974. He had already acquired 20-year territorial licences from Midrex for his flagship company, Korf Stahl, which were transferred to Korf Engineering in 1971. Korf Engineering was bought by Voest Alpine last year, when the Korf group collapsed.

Kobe, the fifth biggest Japanese steel maker and a big plant builder, bought Midrex last summer for more than $20m but some territorial licences, including the one held by Korf, were still outstanding. Korf said yesterday it had been negotiating the construction of the Iranian steel plant for six years. Deals had been signed twice but had not been followed through.

He said the company had been assured by Midrex last June, before the Kobe takeover, that its exclusive rights to negotiate the Iranian contract using the Midrex process had not been impaired by the break-up of the Korf group. He claimed that Kobe had also supported this right after buying Midrex.

However, it appears that Kobe began speaking to the National Iranian Steel Company last December. Korf conceded yesterday that Kobe's price of $182m for five direct reduction units capable of producing 3.2m tonnes of iron a year, was "far lower" than its own.

Peace plan put to French lorry drivers

BY DAVID MARSH IN PARIS

PROTESTING French lorry drivers yesterday stepped up their traffic blockades around the country as the Government, in talks with truckers leaders in Paris, put forward a nine-point peace plan to try to end the five-day-old dispute.

The barricades however, look likely to remain in place as the two main road haulage confederations last night said the peace formula was insufficient and called for talks to resume today.

The move, which followed evening contacts between truckers representatives in Paris and regional associations came at the end of a day of tough bargaining with M *Charles Fiterman, the Transport* Minister.

The peace plan contained proposals to speed up customs clearance at the Franco-Italian border where drivers' anger at long delays last weekend, sparked off countrywide blockades. The Government also proposed compensation for lorry drivers held up.

Further concessions were offered to meet other grievances, such as complaints over official restrictions on working hours. M Fiterman, however, wanted to finalise details at another meeting planned for March 1 – a proposal rejected last night by the haulage federations who stressed they wanted satisfaction immediately.

Yesterday's blockades hit more than a quarter of France's 95 departments yesterday and virtually sealed off Charles de Gaulle airport north of Paris from access by road.

Intensification of the action came in spite of Sunday's call by the leader of the majority FNTR haulage confederation, M Maurice Voiron, to lift blockades ahead of the peace talks, held above all to explore drivers' grievances about lengthy hold-ups on the Franco-Italian border.

The traffic-stalling moves coincided with the second and final day of a national coal strike called to protest against planned pit closures and lay-offs in hard-hit mining regions, mainly in northern and north-west France.

Citroën lay-offs, Page 2

Elf set for rights issue

By Paul Betts in Paris

ELF AQUITAINE, the French state-controlled oil group, is preparing a return to the French equity market for the first time in 25 years.

The French oil company has declined to comment on Paris bourse speculation of a FFr 1.5bn new rights issue but it confirmed yesterday that an extraordinary shareholders meeting would be held on March 28.

The company said it would ask shareholders to give the Elf Aquitaine board the authorisation to increase the company's nominal capital by up to FFr 300m ($36.2m) in one or several tranches. The company's current nominal capital totals FFr 910m.

The oil company is also believed to be preparing a one-for-10 rights issue to raise some FFr 1.5bn in fresh funds from new equity. The last time it raised money on the equity market was in 1959. The group made a scrip issue in 1978.

CONTENTS

EUROPEAN NEWS

Spain angry with EEC over farm products

By John Wyles in Brussels

SPAIN'S Foreign Minister, Sr Fernando Moran, yesterday accused the EEC of "trying to discriminate" against Spanish farm products in the terms for eventual Community membership outlined by the Ten.

He was reacting to the 60-page declaration on agriculture presented at ministerial level negotiation with the Community yesterday.

The deep Spanish reservations about membership terms outlined in the document suggest the accession negotiations with the Ten are about to move into an extremely difficult phase.

The principal Spanish objections centre on a proposed seven-to-10-year transition period before their agriculture becomes fully integrated with the EEC system, and a much more restrictive approach to be applied to Spanish fruit and vegetables.

Reflecting essentially French concerns, the Ten have proposed a two-stage transition period for these products. In the first four-year phase, Spanish production would remain subject to current tariffs and limited access to the EEC.

In contrast to the transition period for other products, there would be no gradual tariff dismantlement nor any Common Agricultural Policy (CAP) spending on Spanish fruit and vegetables.

This would begin in the second six-year phase of the transition period when border restrictions would be steadily dismantled and Spanish prices aligned with those of the Community.

This process will begin immediately after Spanish accession for other products covered by the CAP.

An important feature of the Community's proposal on fruit and vegetables is that it buys time for the Ten to deal with the implications of Spanish membership for the Mediterranean countries of North Africa and the Middle East.

Their fruit and vegetables enjoy preferential access to the EEC, and Governments of the Mahgreb as well as Israel, are extremely fearful of losing this advantage.

France shares this preoccupation and has promised to try to safeguard their interests.

Mitterrand, Kohl to visit UK

BY PETER RIDDELL, POLITICAL EDITOR

CHANCELLOR Helmut Kohl of West Germany and President Francois Mitterrand of France will both visit Britain for talks with Prime Minister Margaret Thatcher in the next fortnight.

The visits are in the hope of breaking the current deadlock in the EEC budgetary crisis and of producing a compromise solution before the heads of government summit in Brussels in a month's time.

Both visits are at the invitation of Mrs Thatcher and form part of an intensive pattern of top-level meetings throughout the EEC at present. France currently holds the presidency of the Council of Ministers and President Mitterrand is in process of seeing most of the other EEC heads of government.

Chancellor Kohl will come to Britain on Tuesday February 28, while President Mitterrand will fly over for talks and lunch at Chequers on Monday, March 5. The President last met Mrs Thatcher during her brief visit to Paris a month ago.

Paul Betts in Paris adds: President Mitterrand's "EEC shuttle diplomacy" is designed to build up the political impetus the French government believes is necessary to break the current EEC impasse.

Although French officials feel this approach has so far proved positive, they generally acknowledge it is too early to be optimistic about achieving a breakthrough.

Senior French officials feel progress has been made on the proposals to hold down the EEC budget made by M. Jacques Delors, the French Economy and Finance Minister, last winter.

M. Delors' proposals call for the same budgetary discipline for the EEC as that already in place in many member countries. This must be matched by stricter control on agricultural spending, which must not increase more rapidly than the EEC's own financial resources.

Dutch unions set for renewed battle over pay

BY WALTER ELLIS IN AMSTERDAM

RELATIONS between the Government and public sector unions in the Netherlands are once again dangerously strained. A national strike in the autumn or winter is now considered possible.

Seven weeks of strikes and other protests by public sector workers ended last December when the unions reluctantly accepted a 3 per cent cut in wages for their 700,000 members.

Now the two sides are at loggerheads again over further proposed pay cuts for next year and 1986.

Only three of the four unions involved have agreed to open negotiations. The biggest union, Abva Kabo, is operating an "empty chair" policy.

Preliminary talks involving the Government and the three unions broke down over the weekend, and no resumption of talks is planned at this stage.

A union adviser said yesterday that fresh strikes could well become inevitable if the Government did not give ground. In that event, he said, the unions would be better prepared the second time round.

When the union protests ended in dismal failure last year, there was much talk about the "unfair" involvement of the courts in bringing strikes to an end.

Mr Koos Rietkerk, the Home Affairs and Civil Service Minister, had originally told the unions that the Cabinet was seeking savings totalling Fl 4.6bn (£1.1bn) in the public sector wage bill in 1985 and 1986.

He has since brought this figure down to Fl 3.7bn, but the three "negotiating" unions have insisted that they cannot accept any more than Fl 2.5bn. Either way, workers would have to accept another round of wage reductions.

Snia Fibre to spend $7.2m on revolutionary nylon plant

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

SNIA FIBRE, the textile arm of Snia-BPD, the Italian chemicals manufacturer for the defence industry, is spending L12bn ($7.2m) on a revolutionary nylon plant at Cesano, 15 miles north of Milan.

When the plant is completed in the middle of May, three months ahead of schedule, Snia Fibre will be able to produce for the first time nylon 6 and nylon 66, the two principal branches of the polyamide family, on the same machinery.

Until now companies producing nylon, which was invested by Du Pont in the middle 1930s, have had to use different machinery for nylon 6 and nylon 66.

Snia's breakthrough will enable it to meet customer demand much more quickly. A shortage of nylon has emerged in Europe in the last few months.

Snia Fibre is the leading producer of nylon 6 in Europe, followed by the Dutch group, Enka. Nylon 66 is produced by ICI Fibres in Britain and West Germany and Rhône-Poulenc in France. ICI also has an affiliate which turns out nylon 6 in Spain.

Sig Antonio Belloni, chairman of Snia Fibre, said: "We have developed the technology at our own research centre in Cesano. We just have to flick a switch to move from the one sort to the other on the same machinery. It is an important step forward and we believe this to be the first time such production has become possible in the world.

"We are also increasing the speed at which the winders can handle the yarn by a quarter to 5,000 metres a minute."

The new plant, which should be running by the end of the year, will concentrate on fine denier nylon. Its output will be about 3,000 tonnes a year as part of Snia Fibre's present production of 28,000 tonnes.

Nylon 6 is particularly important for the hosiery industry, of which Italy is probably the leading producer. It is also being strongly developed as a yarn for the rapidly growing leisurewear market, particularly for anoraks and outerwear.

Sig Demetrio Corradi, managing director of Snia Fibre, said: "If we are to stay in the forefront of European technology we must continue to invest. The new Cesano plant, which is part of a £17m ($24.6m) investment plan, will employ just one production worker a shift. This is the way to get productivity up and enable us to compete with other producers.

"Our customers are increasingly looking for speciality fibres rather than the general commodity fibres. We are now in an even better position to supply them," he said.

Sig Corradi also forecast that Snia Fibre would show a profit for 1983 when the figures are released in April, the first time it has been in the black for nine years.

Citroën to lay off Rennes staff

By Paul Betts in Paris

CITROËN, the French car company owned by the private Peugeot group, said last night it was laying off all the 14,500 workers of its large car plant at Rennes in Brittany because of the French lorry driver protest.

Barricades by angry lorry drivers had halted the supply of gearboxes to the plant, which produces Citroën's commercially successful new medium-sized BX car at a rate of 970 cars a day.

Citroën issued a statement announcing the temporary layoffs as representatives of the lorry drivers were meeting M Charles Fiterman, the Transport Minister, in an attempt to resolve the dispute that has caused the worst traffic jams in French history.

Citroën said it will lay off the plant's 14,500 workers indefinitely from today. Stocks of gearboxes at the plant have dropped to only 150 units.

Terrorists 'bugged' home of politician

By Brendan Keenan in Dublin

A TERRORIST organisation was probably responsible for placing bugging equipment at a Dublin house used by a leading Ulster politician, according to the Irish Premier, Dr Garret FitzGerald.

Dr FitzGerald was answering questions in the Dail (Parliament) from the Opposition leader, Mr Charles Haughey, about the affair.

Dr FitzGerald rejected opposition calls for a full inquiry into the circumstances of the case. A microphone and transmitter were placed by men posing as post office workers in the house which belongs to friends of the deputy leader of the Northern Ireland-based Social Democratic and Labour Party (SDLP), Mr Seamus Mallon.

Dr FitzGerald said the police believed a subversive organisation was responsible, although the action may not have been approved by the organisation's leadership.

Authoritative sources have indicated that the Provisional IRA was the organisation responsible. Dr FitzGerald said the equipment was meant to be discovered to generate confusion and cause Mr Mallon concern.

Mr Haughey questioned the Premier closely about the three-month delay in producing police reports on the matter. Dr FitzGerald said the report had been delayed because of the police hunt for the kidnappers of supermarket executive Mr Don Tidey last December.

Police are also investigating a newspaper allegation that Mr Haughey's own home was bugged by security forces but no evidence has yet emerged to support this claim.

The bugging involving Mr Mallon may have political implications, whoever was responsible. Mr Mallon is upset that Dr FitzGerald revealed that a nephew of the family which owns the house was facing explosives charges. Dr FitzGerald said he believed there were good and sufficient reasons for revealing this.

Some observers are relating these attentions to the delicate negotiations in the New Ireland Forum, where the SDLP and the three main parties in the Republic are trying to reach a consensus policy on the Northern Ireland question.

Craxi faces hard fight in parliament over pay policy

BY JAMES BUXTON IN ROME

THE ITALIAN Government's controversial measure to reduce wage indexation and hold down prices faces tonight the start of what promises to be a tough battle for parliamentary approval.

Sig Enrico Berlinguer, leader of the opposition Communist Party, promised earlier this week to use "all regular methods" to prevent the Government's decree imposing the measure from being approved within the 60 days required by the constitution.

He told the Government of Sig Bettino Craxi, the Socialist leader, that if it did not immediately change course and abandon the policy, "the continuation in office of the present Government will become increasingly risky for the country and therefore its continued existence must be in doubt."

The veteran Communist Party leader went on to make vague suggestions of alternatives to the present five-party centre-left coalition Government led by Sig Craxi.

He talked of a possible government of respected figures of all parties who would commit themselves to a common programme of measures necessary for the economic and political health of the country.

Sig Berlinguer's threat yesterday provoked a tough response from the Socialist Party but was cautiously received by the Christian Democrats.

Though the Government has a large theoretical majority in both chambers of Parliament, there is always a risk that opportunist Christian Democrat "snipers" will make use of the secret ballot voting procedure to defeat their own government.

For the Communist Party, Sig Craxi's decision last week to go ahead and impose a rudimentary incomes policy by decree after failing to get support for it from the Communists of the large CGIL union, is a threat to an underlying cause of Communist influence in Italy—the belief that without Communist consent in some form governments can achieve little of fundamental importance.

In recognition of that threat Sig Craxi appeared last week to have decided on a smaller cut in wage indexation under the scala mobile system than both the employers wanted and those unions in favour were prepared to accept.

Polish strikers sacked

BY CHRISTOPHER BOBINSKI IN WARSAW

MANAGEMENT at Hutmen, a plant manufacturing copper goods in Wroclaw in south-west Poland, has sacked five workers and fined 67 others for stopping work in protest at food price increases at the beginning of February. The plant employs about 2,100.

The food price rises, which averaged 20 per cent on a wide range of items, came into effect on January 30. So far, the authorities have only admitted to stoppages at three plants other than Hutmen.

The sharp reaction at Hutmen to a relatively minor incident shows the authorities are anxious to take a tough line on strikes as the pressure mounts for wage rises to compensate for increase in the cost of living.

Yesterday Mr Jerzy Urban, the Government Press spokesman, said he did not know how many people had been sacked as a result of similar protests elsewhere.

At Hutmen an official of the new trade union, which did not back the strike called by the outlawed Solidarity union, has confirmed that the men stopped work for about 15 to 50 minutes.

Magazyn Hutniczy, a steel industry trade paper, has reported that Mr Zdzislaw Sliwinski, the Hutmen manager, went around an idle department telling the men to return to work and warning them of the consequences if they refused.

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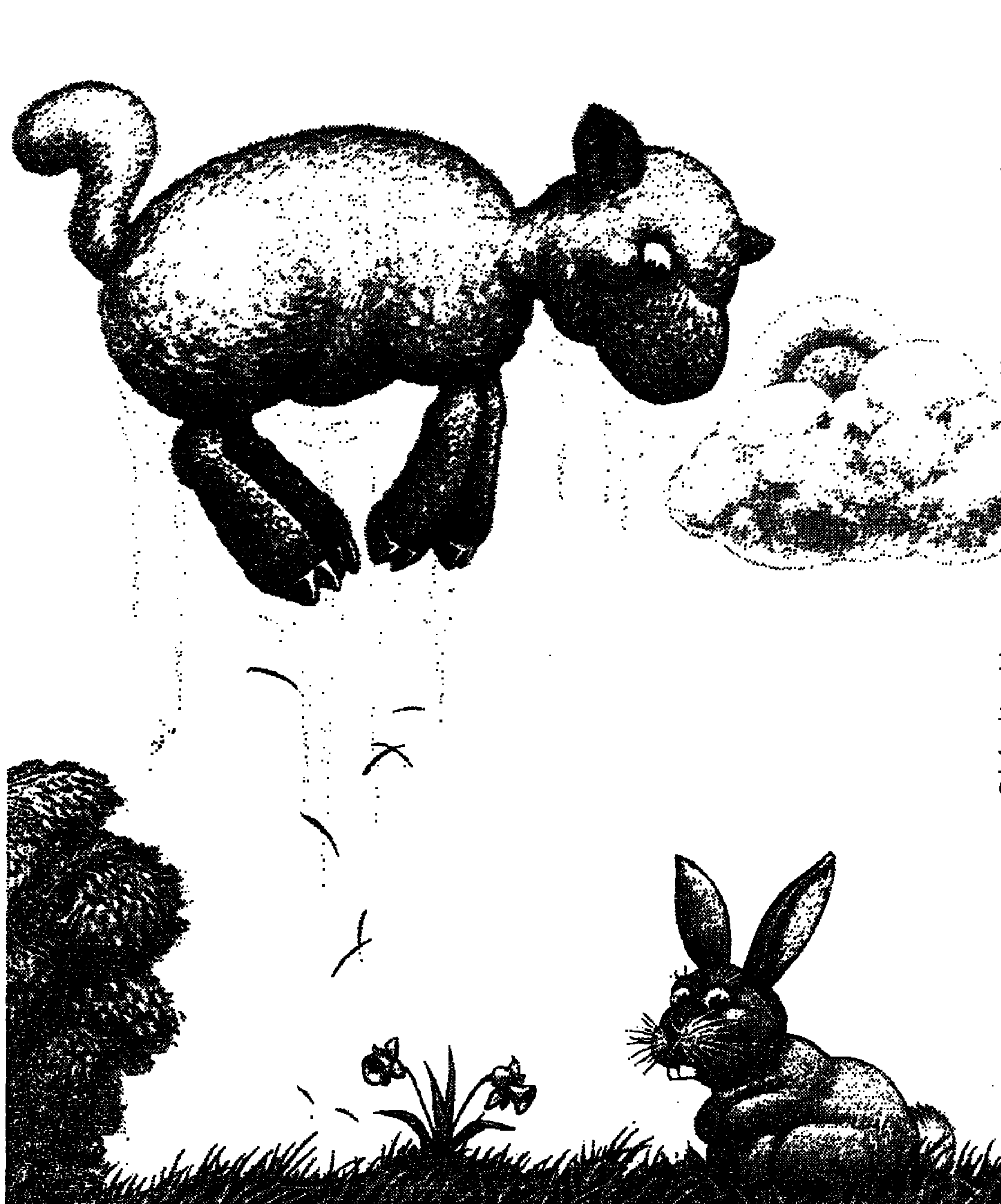


Hungarian economic reforms attacked

By Leslie Colitt in Berlin

HUNGARY'S market-oriented economic reforms have been sharply criticised by the West German Communist Party which is ideologically closely allied with East Germany.

The unusually open criticism came in an article by the party's weekly newspaper about recent price rises in Poland and Hungary.

It said both countries in the 1970s had sought to "integrate" their economies more closely into the "capitalist world market" in order to accelerate their development. In the case of Poland, the newspaper noted the consequences were "turbulent shocks" unleashed by attempted price increases.

In Hungary, the article said, the "restructuring" of the economy is not yet complete. It noted that in 1978 Hungarian production stagnated and that since 1980 living standards have fallen.

The latest price increases since January, it said, were designed to relieve the state budget of enormous food price subsidies, thus releasing funds for needed investments.

The newspaper noted that East Germany had chosen an "entirely different way" which, it said, had proven "more successful" as it had achieved positive economic development and price stability.

It said the East German leadership had emphasised tight planning and forced factory management to mobilise internal reserves so that labour productivity rose while costs were lowered.

Hungarian economic policy, it said, has substituted the market for central planning and leaves price formation to market forces. It also regulates consumption through prices and has achieved the "phenomenon" of full shelves but considerably lower consumption than in East Germany.

The West German Communist newspaper concluded that a majority of Hungarians "still appear to accept" this way but that there is an increasingly heated discussion about inflationary prices.

France pins space station hopes on the spirit of Columbus

BY DAVID MARSH IN PARIS AND PETER MARSH IN LONDON

"IT IS UP to the President to take initiatives," a key adviser to President Francois Mitterand says with beguiling simplicity.

He is talking about M Mitterand's grandly futuristic suggestion, made in a speech in The Hague earlier this month, that Western Europe should launch a manned space station geared to the defence of the continent.

The station, said the President, should be "capable of observing, of transmitting and of countering all eventual dangers."

The proposal came just a fortnight after President Ronald Reagan announced plans to build a U.S. space station, possibly with the help of Western Europe.

The $8bn (£5.7bn) station would house workshops and prototype factories for crystal growth, biological studies and materials processing. The station could turn out exotic substances impossible to make in the gravitational pull on the earth's surface.

The station would have a central core to which other modules could be attached. These could be built either by companies or by governments.

Other countries—not just Western Europe but Canada and Japan—could contribute up to 20 per cent of the station's cost.

M. Mitterrand's suggestion took many observers by surprise, not least because it suggested a military involvement in an orbiting base. Most space planners in both the U.S. and Europe say a station would have purely civilian applications.

Rival axis

But the Mitterrand vision is perfectly in line with France's ambition to carve out an independent policy in space. It also fits in with a determination by Western European governments to produce a third axis in space technology to rival the superpowers of the U.S. and the Soviet Union.

West European governments say they are interested in helping to build the space station — but not at any price.

"We don't want to be naive," says M. Frederie d'Allest, the director general of France's national space agency (CNES). "If we do take part in international collaboration then we want to find solutions that preserve our national independence."

West European efforts outside the atmosphere are concentrated under the umbrella of the European Space Agency, based in Paris. France is the leading member, with an annual spending on space technologies of some $500m.

The 11 nations in ESA contribute different proportions of the agency's annual budget of about $750m. Work on projects is shared out among each country's industries, in direct relation to the cash that their governments have put up.

ESA's efforts since it was formed in 1975 have emphasised three areas — communications satellites, in which Britain has played a leading role, and the development of the Ariane rocket and the Spacelab orbiting laboratory.

In the last two projects, which have cost the European taxpayer almost $2bn, companies from France and West Germany have done most of the work.

Ariane is a proven rival to U.S. vehicles such as the space shuttle in putting communications satellites into orbit.

Meanwhile, Spacelab—an aluminium canister with room for several people—made its maiden flight last November inside the cargo bay of the space shuttle Columbia.

Developed as part of the U.S. programme to find applications for the shuttle fleet, Spacelab will make further flights at the rate of one or two a year.

Western Europe is keen to find ways of expanding on the technology it developed as part of the Spacelab programme—for instance life-support systems, power supplies and computerised techniques for helping scientists to participate in experiments in space.

The most fully worked out plan, which fits in obliquely with M Mitterrand's statement on a space station, comes under the name Columbus.

West Germany and Italy have collaborated for more than a year on a design study to turn the Spacelab unit into an independent module that can exist in orbit for months at a time.

The current version of Spacelab cannot stay in space for more than a fortnight, during which it must remain linked to the space shuttle.

Officials in West Germany's ministry of research and technology envisage that, initially, the Columbus module would be docked to the core of the U.S. space station.

West Germany and Italy want ESA to take on Columbus as a joint project. According to initial estimates, the development cost would be about $2bn.

Decision soon

The project was discussed informally by ESA representatives at the end of January. A decision on whether to proceed should come later this year.

The spirit of Columbus is likely to figure in the discussions on possible European involvement in the U.S. space station. Mr James Beggs, the administrator of the U.S.'s National Aeronautics and Space Administration, is to visit Paris, Bonn, London and Rome next month to hammer out a possible role for Europe.

M. d'Allest has produced a set of guidelines for participation that are likely to be broadly accepted in other European capitals. These are:

- The U.S. station should be open "to use by everybody," says M. d'Allest. France insists that if it participates in the project it should be able to use the base for scientific experiments of its own choice.
- Docking ports on the station should accommodate not just the space shuttle but other manned or automatic space platforms, for example a "mini shuttle" called Hermes that is under development in France.
- The different elements of the space station should be standardised so they can be lifted into orbit either by the shuttle or by Ariane-V, a high-power version of the current rocket that should be ready in the 1990s.

European officials vow that agreements with the U.S. over the space station will be more balanced than the collaboration over Spacelab. Under the terms of a 1973 agreement, the hardware became the property of Nasa after the initial flight.

Futre European efforts in space technology may also take up the theme of President Mitterrand's speech—the military use of the heavens.

CNES has already complained publicly that military spending makes up only about 2 per cent of Western Europe's combined space budget compared with 50 per cent in the U.S. and the Soviet Union.

President Mitterrand's proposal on a military space station almost certainly represents some reordering of the French Government's priorities.

But for the moment budgetary cuts have forced the postponement of one French military project planned for the late 1980s, the Samro system of surveillance satellites designed to back up the country's nuclear strike force.

A French decision to press on with the Samro project — which M d'Allest thinks is possible within a year or two — would provide a pointer as to whether the Mitterrand space base will really fly.

Pertini, outspoken elder of Italian politics

BY JAMES BUXTON IN ROME

PRESIDENT Sandro Pertini, the rather bent, frail-looking old man who today begins a three-day official visit to London, is a phenomenon in Italy.

While most of the country's politicians are held in low public esteem, President Pertini is by far the most popular and respected person in the country.

He has transformed the presidency of the republic from being a ceremonial position, whose previous incumbents were subservient to the party which had them elected, into a position of influence far beyond what the constitution ever envisaged. He has done this, more than anything else, by force of character.

Despite his astonishing 87 years, President Pertini not only carries out a gruelling round of official duties, but also succeeds in being almost everywhere to share the tragedies and the successes of modern Italy.

With a pipe never far from his lips he manages to articulate what the average Italian is thinking. And in contrast to the baroque circumlocutions of most Italian public speakers, he does so with words of few syllables.

His manifest honesty and straightforwardness also enable him to provide a national leadership of a kind which endlessly quarreling and short-lived government cannot supply.

Nothing could have been needed more over the past six years of his presidency as Italy suffered its worst period of terrorism and endured lurid scandals. Meanwhile, the political system appeared less and less capable of producing stable governments.

Two things have enabled President Pertini to get away with words and actions which would have landed his predecessors in trouble—his age, and his relative disengagement from his own Socialist Party.

The two factors enable him to appear as a national grandfather figure—"nonno Sandro" as he is sometimes referred to—virtually above party, but with a mild, humanitarian left-wing bias.

As a result he was able to publicly abuse the whole governmental system for its bungling incompetence in the initial stages of the devastating earthquake in southern Italy in 1980.

He has no qualms about attacking the Mafia in public, something few other politicians do, and he has virtually accused the Soviet Union of encouraging terrorism in Italy.

Not a man of pomp and grandeur, he still lives in a little flat near the Trevi Fountain in Rome rather than in the Quirinal Palace, where every week he receives parties of schoolchildren from all over Italy.

"They interrogate me," he says. "You can't lie to a child."

His apparent impulsiveness, outspokenness and refusal to hide his emotions, even if it means being tearful in public, have endeared him to most Italians.

But in spite of his occasional gaffes, and his frequent nettling of other politicians, President Pertini can also be a shrewd and discreet operator in negotiations to form new governments and in defusing the crises that periodically shake Italian politics.

Pertini . . . transformed presidency

In spite of his prestige, however, there is a limit to what he can do to make the turbulent political system function any better.

What he has done is make the position of President so coveted that the question of who will succeed him when his term ends next year is becoming the dominant political issue in Rome.

There is even talk that Sig Pertini, who has been proposed on what some would regard as rather flimsy grounds, a Nobel Peace Prize this year, will himself stand for a second term.

The visit to London, the first he has ever made, includes lunches with the Queen and Mrs Margaret Thatcher, a trip to the Venice Exhibition at the Royal Academy and a meeting with Mr Neil Kinnock.

But before he goes back to Rome on Friday he will also see an old friend and comrade, Mr Ashford Russell. In the war, Major Russell helped Sig Pertini, who had already spent years in prison under Mussolini, make his way to Milan to fight in the resistance.

He gave Sig Pertini a sack of gold sovereigns with the words: "They're a universal language, they could come in handy."

After the war Sig Pertini handed back the money something, it is said, that had never happened before in the history of the British Empire.

OVERSEAS NEWS

'Peace for Galilee' brings Israelis a long and costly occupation

BY DAVID LENNON IN TEL AVIV

THE DRAMATIC setbacks suffered by Lebanon's President Amin Gemayel this month have made a complete withdrawal of Israeli forces from the South of the country less likely than ever.

"*A majority of Israelis and a* majority in the Government want to pull out of Lebanon," Mr Mordechai Zippori, the Minister of Communications, *said recently.* "The only question is how to ensure security for Galilee," he added.

The collapse of the Lebanese army in the face of Druze and Shia forces has made it even more difficult to answer that question. The hope that the Lebanese army would move south to take over the policing role currently being conducted *by the Israeli army has now* been dashed.

"There will never be absolute solutions *in Lebanon,*" according to Mr Uri Lubrani, the Defence Minister's co-ordinator of Israeli activities in Lebanon. "The most we can hope for are minimum guarantees for peace."

Here again, the problem is who will provide these guarantees. Not the beleagured President Gemayel, who has indicated his willingness to tear up the May 17 agreement with *Israel over troop withdrawals.*

One hope is that Israel will be able to persuade the majority Shia population of southern Lebanon to establish militias which will undertake to keep the Palestine Liberation Organisation (PLO) out of southern *Lebanon and prevent the* Palestinian guerrillas from attacking Israel across its northern border.

But the Shias, who welcomed the Israelis as their liberators from the PLO yoke when they invaded Lebanon in June 1982, *have now come to hate their* new rulers, whose security arrangements have seriously *disrupted life in the South.*

Their opposition to the occupation has led to constant attacks on the Israeli forces. The recent success of the Shias in Beirut has also had an impact on their co-religionists in southern Lebanon, who will be less willing than ever to accept second-class status either within Lebanon or under Israeli rule.

Israel has tried to expand the mainly Christian militia established by the late Major Saad Haddad in the border area, but their hopes to turn this into a bigger regional force have not met with much success so far.

Even if the force is successfully expanded with Israeli aid, *Jerusalem can no longer be* certain that its Shia members can be relied upon to keep Palestinian guerrillas, driven out of the South by the 1982 invasion, from coming back.

Israel's Phalangist allies proved a disappointment. Their performance during the Israeli invasion and afterwards has severely reduced Israel's faith *in the ability of the Phalangists* to carry out an effecive policing role.

Similarly, Israel has little faith in the ability of a United Nations force to keep out the guerrillas and has frequently complained in the past that the Unifil force, in southern Lebanon since the 1978 Israeli invasion, failed in this task.

So, with the virtual collapse of central Government and doubts about the ability of local forces, Israel now finds itself stuck in southern Lebanon, unwelcome and harrassed.

Instead of being able to withdraw across the *border, Israeli* troops are now likely to remain in Lebanon until a new Government capable of ruling the entire country is formed in *Beirut.* One move being seriously studied is to pull the troops a few miles southwards *from their Awali River line* to the Zaharani River. This would have the advantage of getting Israel out of the populous and hostile city of Sidon, and reducing the *number* of Shia moslems under Israeli rule.

But there are many within Israel who oppose such a move, fearing that it would lead to a permanent military presence in the South. Mr Mordechai Gur, a former chief of staff and now a leading member of the opposition Labour party, believes Israel could completely evacuate Lebanon within three months.

"The desire to remain in Lebanon is a continuation of the illusions which led us into the war," he told a recent symposium at Tel Aviv University. "Time is not working in our favour, especially with regard to the Shias. We should get *out now.*"

According to Mr Gur, Israel should begin negotiations immediately with the Lebanese Government, the UN, the multinational force nations, and above all Syria (via Beirut).

He believes—and it is a view *shared by many others — that* only Syria is capable of providing Israel with the guarantees it wants. That southern Lebanon will not again be used as a launching pad for Palestinian guerrilla attacks on northern Israel.

The belief that the Syrians can be relied on is based on the experience of the past ten years, during which *Damascus* has kept a tight rein on PLO forces and prevented them from launching any raids against Israel from Syrian territory.

But the problem with this is that Syria will probably demand some Israeli concessions on the Golan Heights in exchange for its co-operation *in keeping the guerrillas out of* south Lebanon. This is something the Government, which annexed the Golan, is not prepared to consider.

Mr Lubrani, who has borne the brunt of Israel's efforts to find partners in Lebanon during the last year, believes that while everyone wants to pull out, "We need patience to prevent a catastrophe on our northern border."

Until the situation in Beirut is resolved and a new Government established it appears that his *view will prevail. This* leaves a continued Israeli presence, possibly of reduced size, in southern Lebanon for the foreseeable future.

Having sent the army in to secure "peace for Galilee," and having suffered over 560 killed *and more* than 3,000 injured in the operation and its aftermath, the Government evidently finds the prospect *of occasional* attacks on its soldiers in the south preferable to the possibility of renewed *guerrilla* attacks on northern Israel.

MR Yitshak Shamir, the Israeli Prime Minister, said yesterday that his government was looking for "another force" in Lebanon capable of guaranteeing the security of northern Israel now that the Lebanese army was incapable of doing so. John Wyles reports from Brussels.

Speaking at a news conference in Brussels, Mr Shamir did not speculate on who might provide such a force but he spoke favourably of the determination of the Druze and Shi'ite militias to keep Palestine Liberation Organisation fighters out of Lebanon.

He confirmed that Israel was in contact with the militias, stressing that "we have contacts with all the communities in Lebanon."

He defended current Israeli army and air force activity in Lebanon as designed solely to prevent Palestinian "terrorist" attacks on northern Israel.

A United Nations force or any other multinational units could not do so because they would be unarmed. They would not, therefore, deal with the Lebanese problem as far as Israel is concerned.

Mr Shamir discussed the Middle East situation with EEC foreign ministers on Monday evening when he urged the Community to press for reconciliation within Lebanon.

"I also proposed that the Community should put pressure on Syria to get it to bring its aggression against Lebanon to an end," he said yesterday.

Asked if Israel was preparing to reoccupy Beirut, the *Premier replied: "Certainly* not. That would be out of the question. Our one and only concern is to guarantee the security of our northern border."

U.S. ready 'to keep Hormuz Strait open'

BY OUR MIDDLE EAST STAFF

THE U.S. confirmed yesterday that it was prepared to take whatever action was necessary to maintain freedom of navigation through the Strait of Hormuz at the mouth of the *Gulf.*

Mr Larry Speakes, the White House spokesman, said there was "*absolutely*" no doubts about U.S. intentions should Iran attempt to close the Strait of Hormuz.

Commander James Graw of the U.S. Seventh Fleet said in Tokyo yesterday that a task force headed by the aircraft carrier Midway was on station "in the northern Arabian sea."

This is understood to be an area of operations stretching from Bombay in India to Muscat *in Oman. About one-fifth of the* non-communist world's oil supplies passes through the Strait of Hormuz.

Mrs Margaret Thatcher, the British Prime Minister refused in the Commons yesterday to rule out UK participation in any Western attempt to prevent an Iranian blockade of the Strait of Hormuz.

Mrs Thatcher was asked by Mr Enoch Powell, the Official Unionist MP for South Down, for an assurance that there was no question of British warships "being engaged in the Persian Gulf in co-operation with American warships."

Mrs Thatcher told him: "In certain circumstances—we do not know what they might be—*it might be in Britain's interests* to join with U.S. forces to protect that part of the world, and *the oil supplies which are vital* to the West."

Iraq meanwhile accused Iran of preparing to launch a further offensive in the Gulf war. Baghdad newspapers said that a large force of Iranians was massing along the southern part of the warfront. Iraq warned that such an offensive would *face* the most sophisticated weapons at its disposal, including Soviet supplied SS-12 and *Scud-B missiles.*

Iran claimed that in yesterday's fighting it had killed more than 200 Iraqi soldiers and shot down a helicopter in the Abadan area at the head of the Gulf near the Shatt al-Arab waterway.

Tehran radio said that the Iraqi troops had died during an unsuccessful counter-attack in the Mehran section of the battlefield opposite Baghdad, where Iran launched its latest offensive a week ago.

Nearly 5,000 troops are said to have been killed so far in the fighting, and Iran claims to have *both recaptured land seized by* Iraq during the early weeks of the war and to have advanced into enemy territory.

David Barchard writes from Ankara: The 1,200 km crude oil pipeline from Kirkuk in Iraq to Iskenderun in Turkey—Iraq's *only remaining outlet for crude* — has been out of action for two days after a burst near the village of Sekerdere in Adana province. Reports last night said repair work had been completed.

U.S. to open office in Namibia to monitor Angola border ceasefire

BY J. D. F. JONES IN JOHANNESBURG

U.S. OFFICIALS here confirm that they are about to open an *office in* Windhoek, capital of South-West Africa-Namibia, as headquarters for a small number of Americans who will help monitor the progress of the ceasefire in the Angolan border war.

They will only act if they are asked to do so by the Angolan and South African members of the Joint Commission which was set up at a tripartite ministerial meeting in Lusaka last week.

Observers consider that it is essential the "disengagement" turn into a "ceasefire" without serious incident if the momentum o fthe new detente in southern Africa is to be maintained.

The next step in this sudden and unexpected detente is likely to be the formal signing of a *security pact between Mozam*bique and South Africa. Agreement in principle was reached on Monday when Mr Pik Botha, the South African Foreign Minister, led a high-level delegation to Maputo.

It is believed that the completion of what will amount to the first of the regional non-aggression pacts, which have been a long-term aim of South African policy-makers, might appropriately be marked by a *summit meeting between* Mr P. W. Botha, the Prime Minister, and President Samora Machel *of Mozambique.*

Lisbon has been mentioned as a possible venue but there seems no reason why this meeting could not be held closer to home. Details of the agreements between Pretoria and *Maputo are not expected to* emerge until then.

Back on the western side of *the continent, a meeting be*tween the South-West African People's Organisation (Swapo) and *a Namibian delegation led* by Dr Willie Van Niekerk, the Administrator-General in Windhoek, is thought to be necessary if the ceasefire is to hold. Such a meeting would be essential if there is to be any hope of implementing UN Security *Council resolution 435 which* lays down an agreed programme towards Namibian independence. Swapo has been hesitating about this meeting ar.: it will have to be held abroad, probably in secret.

Editorial comment, Page 12

Four miners arrested after clash

FOUR MEN were arrested and 10 were injured in violence involving scores of black miners *at a South African gold mine* late Monday night, police said, Reuter reports from Johannesburg.

Workers living in a hostel at the Anglo American group's Geduld mine in the Orange Free State hurled stones and set fire to several buildings, causing damage estimated at about R300,000 (£173,000) company officials said.

Police said the disturbance, which lasted two hours, began after a mine security officer tried to investigate reports that miners were smoking cannabis.

The four men arrested will be charged with public violence, police said.

Anglo American said that between 50 and 60 of the 8,000 men living in a hostel where the violence started were involved. The mine employs 27,000 people in all.

Anglo American said yesterday's morning shift was slightly delayed but production would probably not be affected.

● For the first time, a white South African security policeman has been convicted of killing a black detainee during interrogation, AP adds. The policeman was sentenced yesterday to 10 years in prison.

Detective Sgt Jan Harm Van As, 27, forced the detainee to kneel on the floor, pressed his *handgun into the man's fore*head and fired, Rand Supreme Court Justice F.C. Kirk-Cohen ruled on Monday night, finding him guilty of culpable homicide.

Detective Sgt Jan Harm Van As, who had been assigned to the security branch for less than three months, contended detainee Mr Paris Malatsi committed suicide after snatching the officer's gun from its holster.

Mr Malatsi died last July 5 in a police interrogation room in the black township of Soweto outside Johannesburg.

China looks at July settlement for Hong Kong

By Robert Cottrell in Hong Kong

A CHINESE *negotiator in the* Sino-British talks on Hong Kong's future has said that he hopes a settlement will be reached in July.

Li Jusheng, second director of the New Chinese News Agency in Hong Kong and a member of China's negotiating team, was quoted by the Hong Kong press as saying that the talks, which enter their ninth round in Peking today, have been making good progress.

Previously, several Chinese officials had pointed to September as their deadline for a preliminary agreement, or failing that, they suggested China would make a unilateral statement.

Sir Edward Youde, Hong Kong's governor, left for *Peking* yesterday.

The leases on most of Hong Kong expire in 13 years and the British colony and its population of 5.5m will revert *to China. China has promised* 50 years of capitalism after 1997.

Zimbabwe announces 8% increase in spending

BY TONY HAWKINS IN HARARE

AN EIGHT per cent increase in Government spending this year was announced yesterday by Dr Bernard Chidzero, Zimbabwe Finance Minister. This is expected to cause a 59 per cent jump in the budget deficit.

The Minister tabled additional spending estimates totalling Z$304m (£190m) for the current fiscal year to June 30, but he said there was no scope for increased taxation at this juncture.

Most of the increased public spending is likely to come from higher borrowing, both domestic and foreign, though the Minister would give no details. There would be some savings, mainly in the form of underspending of public investment, but there would also be a substantial revenue shortfall.

The Minister projected investment savings of Z$210m in the current year, but these would be more than offset by an increase of Z$304m in recurrent *spending as a result of the sup*plementary appropriations. In addition a revenue shortfall of *Z$172m, due to the depressed* domestic economy, would result in an increase of Z$267m in the budget deficit from Z$450m to Z$717m.

The main expenditure increases include the provision of Z$86m to finance the accumulated losses of the state-controlled Agricultural Marketing Authority, and Z$84m for education.

There is a provision of Z$32m for financial subsidies to the Zimbabwe Iron and Steel Company, Z$35m for the army, mainly for motor transport and mechanical equipment, and *Z$26m for drought relief.*

Dr Chidzero confirmed that the Government is to go ahead with the new 2 per cent income tax on low income groups earning more than Z$60 a month that was first announced in the budget last July. This would take effect from April 1 and would bring in Z$3m by the end of the fiscal year on June 30.

The decision to fund the steep rise in Government spending from borrowing has raised some eyebrows in business circles here because of the Government's agreement with the International Monetary Fund to impose strict limits on government borrowing.

Africa seeks $362m refugee aid

BY ANTHONY McDERMOTT IN GENEVA

FOURTEEN African countries are seeking $362m over a period *of between three and five years* to overcome the economic and social burdens created by the presence of refugees and returnees.

This was announced here yesterday by the UN High Commission for Refugees *(UNHCR),* as a result of research done in the field last summer and autumn of the 14 countries which submitted a list of infrastructural projects to be financed.

The aim, according to a spokesman, is "to promote *lasting* solutions to Africa's major refugee problems by facilitating reintegration of returnees in countries of origin, or . . . by encouraging integration in countries of asylum."

By contrast, current programmes have proved unable to cope with long-term strains *imposed on individual countries.*

The list of 127 projects is to be assessed at ICARA II, as the Second International Conference on Assistance to Refugees in Africa is known. This is to be held here in July.

UNHCR reckons that the *number of refugees in the* 14 countries under consideration is about 4m, mostly in rural areas.

The $362m is in addition to the annual UNHCR budget, which for Africa in 1984 is estimated at $155m. The proposed sum would require additional finance of between $80m to $10m a year, which UNHCR regards as "within reasonable bounds."

The main recipient of ICARA II's finance—reflecting the refugee burden—are Sudan with $92.6m, Somalia $79.9m, Ethiopia $40.1m and Zaire $38.8m.

It is to be distributed mainly between roads, bridges, port facilities and energy with 28 per cent; agriculture, forestry and fisheries 24 per cent; education and training 20 per cent; health 16 per cent.

Ghana's economy, Page 15

AMERICAN AND WORLD TRADE NEWS

Jimmy Burns in Buenos Aires on plans to reform organised labour

Hot summer ahead for Argentine unions

BUENOS AIRES has been jolted from its summer lull by an outburst of political passion reminiscent of the high points in last October's election campaign. The walls of the city are covered afresh with propaganda posters and demonstrations have been followed by counter demonstrations.

The "hot summer," already close to sizzling because of President Raul Alfonsin's bold onslaught on the military, has reached emotional boiling point thanks to the Government's plans for trade union reform. Last week one rally turned into a near riot when a group of half-naked men burst into a parliamentary session being televised live and confronted the assembled deputies with cries of "Viva Peron."

The focus of the trade union reform is the General Confederation of Labour (CGT), Argentina's only major trade union organisation. For nearly 50 years it has been intimately linked with the main Opposition party, the Peronists.

A Bill has been approved by Parliament's lower house and is currently under debate in the senate to break down the corporate structure of Argentine trade unions. It proposes a system of direct elections and proportional representation of non-aligned "minorities" at branch level.

The corporatist structure has its roots in 1946 when General Juan Peron seized the opportunity offered to him by an increasingly restless industrialised working class to consolidate his hold on the state. Offering generous social benefits and a token participation in decision-making to a new generation of union leaders, Gen Peron did away with the old Socialist and Anarchist unions and replaced them with the CGT.

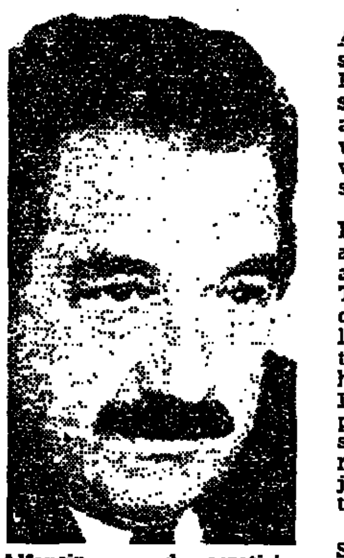
Recently the CGT has split into factions but it has retained an alliance between a fairly small but privileged group of union leaders and those in power —usually a section of the military.

Following the 1976 coup, hundreds of militant trade unionists were arrested, tortured, or joined the ranks of the "disappeared." But most union leaders were reinstated after a temporary stay in prison.

The tacit alliance between union leaders and members of the former military government has proved both the strength and the weakness of the CGT. Sr Alfonsin has managed to expose both aspects to full advantage.

During one of his more memorable election campaign Press conferences, he denounced the close links between the leader of the metal workers union, Sr Lorenzo Miguel, and hardline army officers with a strong influence on the Labour Ministry.

Members of Sr Alfonsin's party subsequently made allegations involving misappropriation of union funds and fraudulent control in many branch committees where Peronist labour leaders and military officers sat side by side.



Alfonsin . . . democratising labour

Sr Alfonsin pointed out that the alliance with the army had brought the CGT privileges denied to many others in the worst days of the repression. Parties were officially proscribed, but the unions were able to hang on to the hotels and private clubs donated years ago by Gen Peron.

But the labour leaders had done little to protect their members from rising unemployment and the dramatic fall in real wages provoked by the military's tough economic policies, Sr Alfonsin said.

One of the main causes of Sr Alfonsin's victory was a substantial swing away from the Peronist candidates in the suburbs around Buenos Aires and other industrialised regions where the traditionally loyal working class changed its voting stance.

Since the elections, the Peronist union leaders and their allies in Parliament have fought a spirited rearguard action. They have been particularly critical of one article of the new law which takes supervision of the union elections out of the hands of current branch leaders. Instead it suggests that the posts on the branch committees should be shared with Government officials and that a civilian judge should oversee elections to prevent fraud.

The Peronists have accused Sr Alfonsin of using the law to split and ultimately destroy their movement. "The law will subvert our movement to the whims of the government," complained one trade union official.

Sr Alfonsin insists that far from destroying the labour movement he is only interpreting the wishes of its members, who would like to see themselves better and more efficiently represented by less corrupt officials.

But the collaboration of the trade unions if it is to try to solve Argentina's severe economic problems. Its inflation rate is presently 433 per cent and foreign debt stands at $39bn. If some of its more unpopular economic policies are to stick, the unions must be on its side.

Several unions have pre-empted parliamentary approval of the new labour law by staging their own elections without Government supervision. Significantly, the Peronist leadership has been toppled in each election by younger men — either party dissidents opposed to the old bureaucracy or independents with close ties to the Radical Government.

Among the most dramatic upsets was one poll in the steel town of Villa Constitucion, a traditional stronghold of the metal workers' union. Sr Alberto Piccinini, a young independent militant recently released from prison who has been ostracised by the CGT leadership, managed to win 85 per cent of the vote in a branch election previously dominated by Sr Miguel. Similar turnarounds are expected in other union elections once the Bill is passed.

Right-wing sectors of the political establishment and some members of Sr Alfonsin's own party privately admit their hope that the union movement will be destroyed and that future economic policies, however tough, will be much more easily applied by a system of divide and rule.

But most of those in Sr Alfonsin's Government, insist that the change is only another piece, albeit a very important one, in the complex jigsaw of democracy which is proving to be such a painstaking task to put together.

Reagan plan for Central American aid opposed

By Reginald Dale in Washington

THE REAGAN Administration's plans for massive new economic aid to Central America are facing opposition in Congress following a series of recent reports that existing aid programmes suffer from mismanagement and corruption.

The Administration yesterday began the defence of its controversial plans on Capitol Hill, opening what is likely to be a major debate on its Central American policies. The proposals, which are intended to implement the recommendations of the special Kissinger commission on Central America, call for an immediate extra $400m in economic assistance to the region, followed by $8bn in economic aid and credit guarantees over the next five years.

Congressional opposition in the past has centred on military aid, which the Administration wants to more than triple to $373m in the current 1984 financial year, and the new plan is bound to be attacked for its emphasis on military solutions to the region's problems.

The latest reports, however, seem likely to ensure that economic aid will now come under equally close scrutiny. Much of the criticism has been made in confidential state department audits and in a classified report by the general accounting office, an independent Congressional watchdog, the contents of which have been widely leaked in recent days.

Abuses cited in the reports include illegal diversion of funds for private gain, fraudulent accounting procedures and spending that failed to reach the people it was intended to help.

State Department officials acknowledge that some mismanagement and corruption exists, but they deny that there are widespread abuses. The audits are intended to improve performance, they say.

Congressional Democrats, however, are promising a thorough investigation of the effectiveness of the aid system before granting more.

Managua announces November date for general elections

BY TIM COONE IN MANAGUA

NICARAGUA IS to hold Presidential and national assembly elections on November 4 this year, two days before the U.S. Presidential elections. The announcement was made yesterday by Sr Daniel Ortega, the head of the Government junta, before a rally of tens of thousands of people in front of the former Presidential palace in the capital, Managua, in celebrations marking the 50th anniversary of the assassination of Nicaragua's first nationalist leader and hero, Gen Augusto Sandino.

Elections for president and vice president will be by direct vote, while elections for the national assembly will be carried out on a proportional representation system for regional representatives. Ninety representatives will be elected to the national assembly. The president, vice-president and elected representatives to the assembly will take up office on January 10, 1985, replacing the government junta and Council of State, which have been the two seats of legislative power since the revolution in 1979.

In two further decrees announced by Sr Ortega, the amnesty granted last December to Nicaraguans involved in counter revolutionary activities is to be extended to May 4 this year.

The minimum voting age for the elections is to be fixed at 16. Sr Ortega said that the Government junta and the National Directorate of the ruling Sandinista party "considers that youth has won the right to vote." Tens of thousands of teenagers have participated in voluntary work brigades to pick the vital coffee and cotton crops and in militia battalions fighting U.S.-backed counter revolutionaries on the frontiers of the country.

Sr Ortega attacked the U.S. support for the counter revolutionaries and warned of possible direct U.S. military intervention in Nicaragua in El Salvador in 1984. He said that 1,500 Nicaraguans had died as a result of the guerrilla attacks since March 1982, and that the U.S. had invested a total of U.S.$73m in the counter revolutionary guerrilla organisations to date.

A number of prominent international political figures attended the fiftieth anniversary celebrations yesterday and messages of support for Nicaragua and its nascent electoral process were read out from Miguel de la Madrid of Mexico, Fidel Castro of Cuba and Willy Brandt and Carlos Andres Perez of the Socialist International, among others.

General Sandino, whose name was adopted by the Sandinista guerrillas who overthrew the Somoza dictatorship in 1979, is a national hero who led the first major insurrection against U.S. occupation forces in the late twenties and early thirties.

He succeeded in forcing the U.S. troops to withdraw from the country in 1933 but was later assassinated by the then head of the National Guard, Anastasio Somoza Garcia, who was then to become the first of a line of Somoza family dictators, until the overthrow of the dynasty in 1979 by the Sandinistas.

Call to release Bishop officials

A JAMAICAN lawyer has asked Grenada's interim administration to charge or release former officials of assassinated Prime Minister Maurice Bishop's Government and 13 other detainees, Reuter writes from St George's.

The continued detention of several members of a short-lived military junta which toppled Mr Bishop was illegal lawyer Jacqueline Samuels-Brown said.

Peasants face murder charges

A PERUVIAN judge said 14 Indian peasants are to face charges of killing eight Peruvian journalists a year ago, Reuter reports from Lima.

Judge Juan Rojas has ordered the peasants from the remote mountain village of Uchuraccay to report for provisional detention to Ayacuchi.

The journalists were killed while investigating reports of human rights abuses by security forces, court officials said.

Lockheed, Kawasaki in high-tech venture

By Paul Taylor in New York

LOCKHEED, the major U.S. defence and aerospace group, and Kawasaki Heavy Industries, the Japanese steel group, said yesterday that they have agreed to form a Japanese high-technology joint venture to market computer-aide design and computer-aided manufacturing (CAD/CAM) equipment in the Far East.

Under the agreement, signed by Cadam Inc., a wholly-owned Lockheed subsidiary, a new joint venture company with an initial paid up capital of Y100m (£296,000) called Cadam Services Company will be formed on April 2.

Cadam Services is expected to strengthen Cadam's marketing operations in the Japanese and South Korean markets and will develop new software for CAD/CAM applications.

In a separate move, Dow Corning said its subsidiary, Hemlock Semiconductor, is to be reorganised as a joint venture with Shin-Etsu Handotai, a Japanese-based company which is one of the world's leading suppliers of polished wafers used in the electronics industry.

Under the agreement, Shin-Etsu Handotai will eventually take a 24.5 per cent stake in the new joint venture company.

Mr Ronald Johnson, vice-president of Dow Corning, said yesterday: "By forming this joint venture, we expect that Hemlock Semiconductor will be in better tune with the high-quality requirements of the electronics industry."

Hemlock Semiconductor is a major supplier of polycrystalline silicon and other raw materials to the electronics

Recently, Nisshin, Japan's sixth-largest steel company, set up a joint venture with Wheeling-Pittsburgh of the U.S.

Hopes fade for Brazil steel pact

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL'S HOPES of reaching an early agreement with the U.S. on self imposed quotas for its steel exports, in return for the withdrawal of U.S. anti-dumping levies, are fading.

As the two sides consider whether to resume the negotiations in Washington suspended last Friday, the atmosphere has been soured by the imposition of surcharges by the U.S. on another four Brazilian steel products.

Two types of wire rods and two of steel bars have been added to the list already paying import deposits of between 19 per cent and 100 per cent in the U.S. market.

Cacex, the Brazilian foreign trade authority, complained yesterday that this brought to about 500 the list of its products subject to protectionist barriers in the U.S.

What has complicated the steel negotiations, according to the Brazilian side, is the U.S. insistence on the removal of the Brazilian Government export subsidies, prior to any agreement on setting quotas. Such a pre-condition will be very difficult for Brazil to meet.

Sr Marcos Jose Marques, a senior offical Industry and Commerce Ministry official who headed the Brazilian delegation, said this week the discussions had been "very complex."

A decision is to be taken by Friday on whether the negotiations will resume next week in Washington, as planned.

Czech brewers want to control exports

BY LESLIE COLITT, RECENTLY IN PRAGUE

CZECHOSLOVAKIA does not plan greatly to increase exports to the West of its renowned Pilsner Urquell and Budvar beer but is preferring to charge premium prices for a limited supply.

This policy contracts with Czechoslovak exports of many other products which are aimed at the lower end of Western markets.

It is no wonder then, that the general management of the brewery and malt plant in Prague would like to take over the sale of Czechoslovak beers in the West. Although six other foreign trade organisations have been experimentally merged with producers, beer continues to be sold abroad by Koospol the organisation responsible for agricultural exports.

Mr Petr Dvorak said his organisation would like to be given the right to export on its own. He said, "Contact would be more direct. The intermediate organs are factors between ourselves and the foreign buyer."

Under the present system, the general management of the breweries is allotted hard currency by the Ministry of Agriculture based on its share of hard currency exports. The general management also helps to cover the hard currency needs of agricultural producers who do not sell to the West. Thus the amount of hard currency it receives and can use to buy machinery is relatively low.

Sharp price increase in kraft liner

BY MAURICE SAMUELSON IN LONDON

U.S. PRODUCERS of kraft liner paper, the key component of corrugated packing cases, surprised their overseas customers by announcing a second price increase in two months.

They said that the price of a tonne of kraft liner, which last month rose $32 to $365, would go up by a further $40 in April.

The move, which reflects the economic recovery in the U.S., will hit packaging prices in other countries, since the U.S. is the world's leading producer of kraft liner.

The British Fibreboard Packaging Association said yesterday that U.S. suppliers were "moving faster than we had expected," and said it would try to delay further price increases until later in the year.

The UK case manufacturers are just starting to emerge from a three-year recession during which prices have fallen and several major groups have merged their operations.

Sales have started recovering, with those in January expected to be 7 per cent higher than the same month last year.

But the industry as a whole is still trading on the margin. It produces about 100,000 tonnes of fibreboard cases a year.

Some 60 per cent of the kraft paper (used mainly as the cases outer lining) is imported from the U.S. with most of the rest coming from Scandinavia.

As a result of the latest rise in kraft prices, UK fibreboard cases are expected to cost 5 per cent more. But manufacturers will find it very hard to pass on this increase to buyers of packaging.

Mr Michael Howard, director of the BFPA, said U.S. kraft prices, which had also fallen during the recession, "are moving back towards pre-recession levels and are expected to continue rising over the next two years as the U.S. economy continues to pick up."

Minister urges radical change in UK society

BY PETER RIDDELL AND ANDREW TAYLOR

THE GOVERNMENT should commit itself to further radical change across a wide range of the British economy and society, Mr Leon Brittan, the Home Secretary, argued yesterday at the annual convention of the Institute of Directors in London.

His speech will be seen at Westminster as a strong reinforcement to those advisers of Mrs Margaret Thatcher, the Prime Minister, who have been arguing for more action to extend competition and market forces throughout the social services and in the labour market.

Work along these lines has been carried out in the Downing Street policy unit and by outside research groups such as the Centre for Policy Studies, of which Mrs Thatcher was the joint founder in 1974.

Mr Brittan's emphasis and tone differed significantly from recent speeches by both Mr Michael Heseltine, the Defence Secretary, and Mr John Biffen, the Leader of the House of Commons, which have stressed the desirability of consolidating the political and economic ground which the Government has already won.

Mr Brittan argued that the widely suggested dichotomy between radicals and consolidators within the Government was totally false. He said: "Unless governments are prepared to be radical in their approach, only thing they finish up by consolidating is the public sector. This Government is a radical, reforming government; long may it remain so."

He claimed that the radicalism of yesterday was fast becoming today's consensus. "But there is a long way still to go in the journey of practical exploration on which we embarked in 1979."

In particular, Mr Brittan said the professions should of competition. After referring to the recently announced proposals to improve competition in house transfers, he said that the City of London and the Law Society (the solicitors' professional body) were also opening up their practices to more competitive pressure.

"Competition must apply irrespective of vested interests in the private and public sectors alike, in whatever form best serves the customers' interests," Mr Brittan said, although he gave no examples of which other professions might be challenged.

Mr Brittan emphasised the Government's achievement in turning the tide of collectivism, the central importance of markets and the need to end the patronage state dominated by the public sector. He urged the need for market disciplines not only in nationalised industries and local authorities but also in health, education and housing.

Improvements in markets, he said, would nowhere reap surer or more welcome rewards than in the labour market.

Sir Yue-Kong Pao, chairman of the World-Wide Shipping Group of Hong Kong, told the conference that unwarranted government interference in markets and the proliferation of the welfare state had sapped the confidence of international business.

He said that protectionist measures and trade barriers erected by governments were among the most serious threats to the future of Hong Kong. "We fear that protectionism may become yet more widespread. We must all argue as best we can against any protectionist stance, no matter how plausible may sound the specific reasons given to support it."

He added: "Cargo sharing in shipping, domestic content legislation, subsidies, quantitative import controls, voluntary agreements to restrain exports – all these result in the elimination of competition and in fewer, not more, opportunities for better employment and better economic growth."

Sir Robert Muldoon, Prime Minister of New Zealand, renewed at the conference his call for an international summit, in the style of Bretton Woods, to discuss ways of restructuring the world's finances. The Bretton Woods conference, in 1944, led to the establishment of the International Monetary Fund and the World Bank.

Sir Robert said: "Whether we are yet sufficiently afraid of the economic future to come together in a new Bretton Woods is yet to be determined. My belief is that if we do not do it now, then we will do it later in even less propitious circumstances."

He added: "The governments of the powerful industrial economies hold the key and no solution which is not generally acceptable to them will ever be reached. As at Bretton Woods, we must get decisions from the whole world community and thus take the issue out of, and above, the politics of any particular country."

Telephone tapping law sought by Lords

By Ivor Owen

THE GOVERNMENT was defeated in the House of Lords last night when a new clause was inserted in the Telecommunications Bill to make unauthorised telephone tapping a criminal offence.

The offence would be liable to a fine of up to £5,000 and/or three months' imprisonment.

The clause was carried by a majority of 17 despite a strong plea by Lord Mackay, the Lord Advocate, that it might lead to judicial proceedings that undermined existing safeguards designed to protect the national interest.

He also argued that it was inappropriate to introduce new legislation on the issue while an important case, questioning the whole basis on which telephone tapping was carried out in the UK, was before the European Court of Human Rights.

Many peers were clearly influenced by suggestions that the Government will almost certainly be forced to legislate on telephone tapping in any event, as a result of the judgement of the European Court.

Lord Mishcon, a Labour peer who moved the new clause, claimed that its incorporation in the Bill would mean that the UK was no longer in breach of the European Convention on Human Rights because statutory safeguards for the citizen would already be law.

He maintained that the Government was being unnecessarily concerned about the introduction of the judicial process since any case involving security issues could be heard in camera.

Government set to allocate cash for A-320 project

State funding for Airbus

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A GOVERNMENT announcement is expected by the end of this week on how much it is prepared to lend British Aerospace (BAe) to help it to join in building the European Airbus A-320 150-seat jet airliner, and how much the company must find from other sources.

Talks on this joint financing package have been in progress since the company formally sought £437m launch aid for its part in the venture last autumn.

The company's original insistence that all the £437m should come from the Government has been modified to the point where BAe is now believed to accept that some City of London participation is essential if the UK is to have any role in the A-320 at all.

BAe's total cash requirement for participating in the A-320 amounts to about £650m to cover design, development and production of the complete wings for that aircraft, representing about 26 per cent of the total work on the airframe.

Of that sum, BAe expects to be able to find about £213m from its own resources, to cover the initial production of the wings, before deliveries are made to Airbus Industrie and cash starts to come in.

Finding ways of splitting that £437m between the Government, BAe and financial institutions has been a difficult task. The Government has been reluctant to put up all the money as launching aid, even though it is empowered to do so under the 1949 Civil Aviation Act.

The Act has been used extensively in the past by the aerospace industry to help finance civil aircraft and engine ventures. The Act was established in the early post-war period to provide long-term loan assistance to aviation companies seeking to generate new ventures but lacking the necessary cash.

Thatcher backs participation

Mrs Margaret Thatcher, Prime Minister, has apparently made up her mind in favour of participation by British Aerospace in the multinational A-320 European Airbus project after a lengthy period of scepticism and close scrutiny of its commercial viability, Peter Riddell writes.

Her backing means that what now remains is to sort out the details of the government launch aid. This looks certain to be considerably less than the £437m sought by BAe, with the rest coming from the City of London. Talks between the Department of Trade and Industry and BAe – and between BAe and financial institutions – are now nearing completion for a final decision by the Cabinet's economic strategy committee.

The present Government believes that although the Act can still be used in some promising cases, it should not be used as a massive "trawling net" for money by the aerospace industry for ventures where the risks may be high and the returns slow in coming.

BAe has recognised for some time that it could raise all the cash it needs for the A-320 from the City of London either directly or by issuing new equity capital. However, it has been reluctant to do so because it did not want to increase the financial burdens on its balance sheet, at least in the short term.

The company has already invested about £700m of its own cash in new civil aircraft ventures. Of that, about £300m has been put already into its share of earlier Airbus developments, such as the A-300-600 aircraft (now under development), the smaller A-310 and its latest derivative, the A-310-300.

The other £400m has been invested in such civil programmes as the BAe 146 four-engined regional jet airliner, the twin turboprop 748 airliner, the twin turboprop Jetstream 31 light transport and the twin-jet BAe 125 executive aircraft.

Sir Raymond Lygo, managing director of BAe, says: "Further heavy investment, no matter how good the project might be, would put at risk our ability to invest in other parts of the business, all of which show excellent prospects."

In effect, the demands of the A-320 would starve the rest of the company in the short term before any cash from sales began to come in.

By seeking launch aid, BAe would be deferring repayment on the government cash until the A-320 had entered service in 1988, and would be generating money from sales. Moreover, the launch aid would be paid by the Government in annual instalments, incurring interest only when committed to BAe.

BAe will see this as the best way of meeting the needs of the A-320 venture. A direct private loan, in its view, would not be in the company's best interests.

It is clear that, in recent weeks, the Government has been pressing BAe to change its view, and to accept that it must either put up much more of the money itself, with a proportionately reduced government contribution, or face the prospect of not participating in the A-320.

The Government's view is that although it would like to support the A-320 for political reasons (commitment to the EEC, for example) its own cash needs are heavy and its budgets tight.

The public-spending curbs already announced or being sought for the years ahead do not permit heavy cash support for aviation programmes, especially since the aerospace industry is already a substantial beneficiary from government funds.

Rolls-Royce, for example, has recently been granted not only £70m launch aid for further work on the E4 version of the RB-211-535 engine, but also £113m for its share of the five-nation V-2500 engine (which could be used in the A-320).

A decision is imminent, and it seems likely that by the end of this week, BAe and Airbus Industrie will know at last precisely where they stand.

What is certain is that if the UK does not, for any reason, participate in the A-320, that aircraft will still be built. Other companies in Europe and the U.S. have shown strong interest in building the wings for it if Britain pulls out, and the project is already effectively "over-subscribed" with potential partners.

With firm orders for 51 aircraft and options on another 45, from five airlines and other potential buyers about to sign, the A-320 seems set for a long career.

If Britain withdrew for lack of cash, there would be some polite expressions of regret from the other partners in Airbus Industrie, but the gap would be filled swiftly.

BAe would continue with its existing roles in the A-300 and the A-310, building the wings for those aircraft, but it would be denied, probably for ever, the opportunity to share in the Airbus Industrie plan to develop a widening "family" of airliners for the long-term future.

Thatcher says most workers at GCHQ agree to leave union

BY KEVIN BROWN, PARLIAMENTARY STAFF

A MAJORITY of the staff at the secret communications centre GCHQ have accepted the Government's offer of £1,000 in exchange for their union membership, Mrs Margaret Thatcher, the Prime Minister, said yesterday.

She told the House of Commons that only "a minimal number" of the estimated 7,000 employees at the centre, based at Cheltenham, west England, had refused the offer. She gave no precise figures, but the indications later were that between 50 and 60 per cent of the staff had accepted the offer, and only 12 to 13 people had refused in writing.

The Government's deadline for acceptances expires in nine days' time, on March 1. Staff who refuse to give up union membership face the option of a job transfer or dismissal.

A full House of Commons debate on the issue is to be held on Monday, but Mrs Thatcher appeared determined yesterday to stand by her refusal to compromise. She repeated the Government's determination to bring GCHQ into line with other intelligence installations where unions are already banned.

The revelation that most of the staff would accept the ban on trade union activity appeared to dampen opposition protests. Mr Neil Kinnock, the Labour leader, who last week bitterly accused the Prime Minister of being prepared to abandon fair play and common sense over the issue, took no part in yesterday's parliamentary exchanges.

Mr Martin Flannery, a left-wing Labour MP, was jeered by Conservative MPs when he accused the Government of helping anti-trade union and pro-Nazi groups "deeply entrenched in the bowels of the Tory Party."

Mr Ian Wrigglesworth, a Social Democrat MP, said the events of the past few weeks had seriously damaged the interests of GCHQ.

The Prime Minister said she did not accept that GCHQ had been damaged by the trade union ban. "The serious damage at GCHQ was when there was disruption between 1979 and 1981 which damaged the security interests of this country," she said. "The essence of the Government's case is that intelligence and security organisations have always been treated differently."

Compact disc plant to open

By Jason Crisp

PRODUCTION of the first compact discs to be made in Britain is expected to begin in May after the completion of a financing deal between Nimbus Records and Midland Bank Industrial Finance (MBIF).

Nimbus, a small specialist record company near Monmouth, South Wales, is investing £2m in the compact disc (CD) plant. The company says it already has a full order book for the first year's production of about 1m discs.

Compact disc players were launched last year by Philips, Sony and a number of other Japanese companies. The silvery five-inch discs contain billions of minute "pits" which are read by a laser beam.

The compact disc has much higher sound quality than the conventional record player, which it is eventually expected to replace. But the production of discs is very sensitive and needs the clean conditions associated with the production of microchips.

There has been a major shortage of capacity to produce the discs. The two main plants in the world are Polygram in Hanover and CBS/Sony in Japan. Polygram's capacity is being increased from 6m discs last year to 15m this year.

CBS/Sony, which has a capacity of 8m discs in Japan, is building a plant in Indiana in the U.S. which is expected to start in October. But the first U.S. production of discs is likely to begin next month by Digital Images.

Four British companies have a licence to produce the discs: Nimbus, Forward Technology, PR Records and British Compact Disc. PR Records is negotiating the financing of its plant, but does not expect to go into production for a year. Forward Technology has not yet made a decision to go ahead and is not likely to go into production this year.

Nimbus, which produces records under its own label, also presses conventional records for other companies, specialising in high-quality pressings. The £2m investment in CD is a major project as Nimbus's turnover is only about £700,000 a year.

Indicators reinforce recovery trend

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

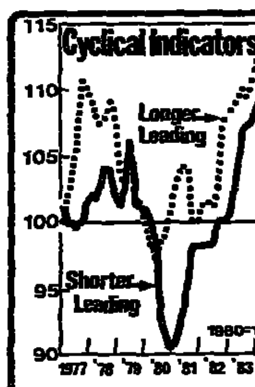
THE ROAD to economic recovery in the UK stretches as far as the end of this year, the Central Statistical Office (CSO) said yesterday in a commentary on its latest indicators.

Two leading indicators which predict activity six and 12 months ahead, both moved up in January. The indicator, which gives a snapshot of the present state of the economy, also rose.

The longer leading indicator for a year ahead moved up sharply in both December and January. The January figure was about 3 per cent higher than in October, when the broad upward sweep of this indicator seemed to hesitate.

CSO indicators have quite a good record over the past 20 years for predicting turning points in the economic cycle.

"Composite indicators suggest that the economy will remain in the upswing of the business cycle through 1984," the CSO said yesterday.



Month-to-month variations of these indicators are less important than the general trend, particularly as recent data is not complete and the series is subject to considerable revision. However, the particularly strong rise of the longer leading indicator must have contributed to the CSO's confidence that the recovery will not falter this year.

Defence order may go to Harland and Wolff

BY JOHN LLOYD, INDUSTRIAL EDITOR

HARLAND AND WOLFF, the state-owned Belfast shipyard, appears to have won a major Ministry of Defence (MoD) order – only the second the yard has captured in recent times.

Mr James Prior, the Northern Ireland Secretary, speaking at an Institute of Directors banquet, praised the work of Harland and Wolff in finishing its first MoD order – a floating dock for the Falklands, worth between £6m and £7m – and said a further contract was "on its way."

The MoD said last night that the only possible candidate would be a replacement for the Royal Fleet Auxiliary vessel Engadine, a helicopter-carrying vessel. The replacement, to be termed an "aviation training ship," will either be a conversion of an existing hull, or a completely new ship.

The price of the vessel is not known, but it is understood to exceed £50m. Both Harland and the British Shipbuilders' yard of Cammell Laird have tendered for the vessel.

Confirmation of the order for Harland would be a considerable boost for the yard. It has been building up a reputation for finishing work on or ahead of time, and had made a special effort to push through the work on the Falklands contract quickly.

It is also bidding for the replacement for the Sir Galahad, the fleet replenishment ship which was badly damaged during the war in the South Atlantic.

Although the yard's workforce is at present fully occupied, the "front-end" trades will run out of work by the middle of the year without new orders.

TECHNOLOGY

EDITED BY ALAN CANE

POLYMER RESEARCH AT RAYCHEM

Growth seen for shrinking plastics

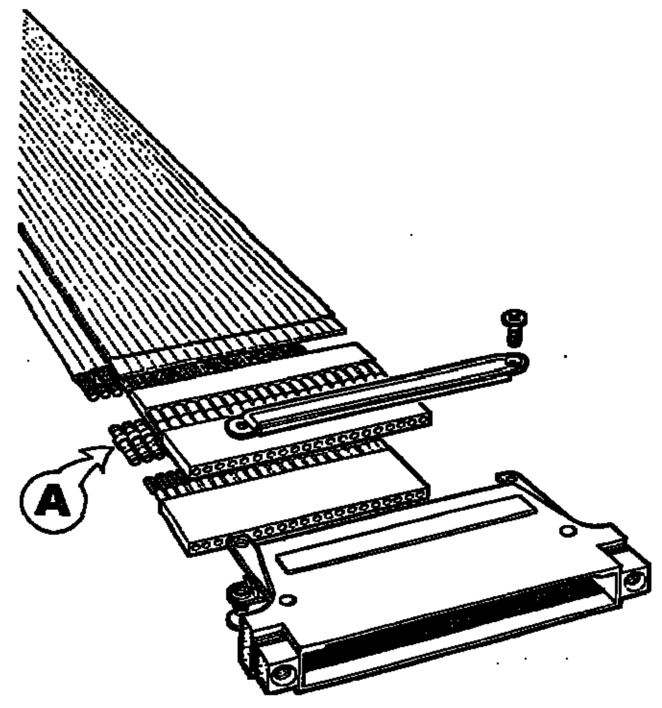
BY GEOFFREY CHARLISH

PLASTICS THAT shrink when they are heated or heat up when a current is passed through them are just two of the highly utilitarian products under continuous development at Raychem's laboratories in Swindon.

The UK company is a subsidiary of the $U.S.600m turnover Californian-based corporation. It employs 1,200 people on five sites in Swindon, many of whom are engaged in fundamental polymer research and the development of new applications.

Any tendency to think of plastics only in terms of children's toys or washing-up bowls is quickly removed by a visit to the Raychem labs. Here they are concerned with modifying the properties of plastics to enable specific industrial tasks to be carried out more efficiently and at lower cost.

Many of the products are based on irradiating plastics with electrons, altering the molecular structure and giving the material a "memory."



A is the tiny sleeve containing a small solder ring which is placed over the two ends which are to be connected

Time-consuming individual pin-soldering operations are obviated

Tubing, for example, can be extruded to say, one-inch diameter, irradiated and passed over a hot mandrel that expands it to two inches. On cooling, it will remain at this size indefinitely until heated up again. Then, instead of melting, it merely shrinks back to its original diameter.

These properties produce extremely useful products for the electrical and electronics industry. Cable and wire sleevings of many sizes, mainly in polyolefins and elastomers, have been developed that can be simply slipped over the cable and heated with a hot-air gun to give a tight-fitting, insulating seal.

The idea has been extended to multi-pin flat plugs and sockets, but with an added bonus. Tiny sleeves containing a small solder ring are slipped over the plug/socket pins and the stripped-back ends of the connecting wires inserted into the sleeve. A suitable level of heat then melts the solder and shrinks the sleeve in one operation—but without melting or otherwise damaging it. Time-consuming individual pin-soldering operations are obviated.

Raychem has also developed a nickel-titanium alloy with similar properties. This "shape memory" metal takes on soft, lead-like characteristics if reduced below a specific, low temperature, but will return to its original shape when allowed to warm up to room temperature.

The technique has been successfully used in the North Sea to avoid undersea welding of pipes—a basically difficult task due to poor visibility.

Instead, connecting collars with a diameter slightly smaller than that of the pipes are taken to the sea bed in refrigerated containers and slipped over the end of one of the pipes. The other pipe-end is inserted and in a few minutes the collar, as it warms up, grips both ends to make a sealed coupling.

In one of the company's more recent developments, polymer and carbon black are blended to give conductive plastics or various resistivities. Used as the "insulation" material in twin conductor cables, a heating effect can then be uniformly distributed down the cable's length.

Several applications have resulted. Wrapped around pipes in process plants for example, the temperature of the contents can be kept within limits. This is because the cable is self-regulating: as it heats up, an expansion at molecular level takes place, the resistance goes up and, therefore, the heat dissipated goes down. The effect takes place selectively at various points down the pipe, to suit the temperatures at those points. Similarly, pipe freeze-up can be prevented.

Other products have been developed that heat the fuel lines of diesel engines in arctic conditions to keep the fuel fluid. Yet another version has been used to prevent points freezing on railways—London Transport is currently conducting tests at Stanmore and Cockfosters, and British Rail at Swindon.

The material has even been made into a thermally sensitive switch, to act as a current limiter in electrical circuits. If too much current is flowing, the material heats up, offers a high resistance, and cuts the current. These devices have been used in the Kodak Disc camera for example, to prevent inadvertent high current discharge of the batteries due to short circuits.

An interesting variant is called AnodeFlex. Here a length of specially formulated cable is run round steel structures (storage tanks for example) to give corrosion protection. The cable takes the place of the fixed anode in cathodic protection systems and has the advantage that the protective current is distributed evenly round the structure, making it more effective.

Unheralded, Raychem has also been working on a fibre optic communications cable system for use by electricity generating authorities along their grid tower routes. Unlike the BICC/Plessey Fibral

The technique has been successfully used in the North Sea

approach announced 18 months ago, in which the fibre is contained within the earth cable spanning the very tops of the towers, the Raychem system is helically wrapped round one of the live conductors, obviating the need to re-lay the earth cable.

The company has used a special high voltage non-tracking plastic sheathing and has developed an extraordinary helical winding machine which moves along the grid conductor, towed from the ground.

The Swindon laboratories are well equipped for fundamental investigations into the chemistry of polymers with an array of gas chromatograph and X-ray analysis instruments and a scanning electron microscope.

In addition, there is a full scale experimental production process department with modern plastic extruders, compression and injection moulding machines.

The properties of experimental products are exhaustively researched, often using purpose-built instruments.

TELECOMMUNICATIONS

BT launches text message pager

BRITISH TELECOM aims to hit back at its rivals in radio paging by introducing a new device that will receive written messages.

The corporation's radio paging subsidiary is easily the leader in Britain in this area of business. It rents out to customers some 190,000 pagers mobile terminals that transmit a series of audible tones, thus alerting their owners to telephone a specific number or take some other action.

British Telecom's closest competitors, Air Call and Digital Paging Systems, account for 20,000 and 5,000 pagers respectively.

But these two companies have stolen a march on the corporation in one way. They both rent to customers pagers that produce not just "blips" but whole lines of text.

Air Call and Digital Paging offer the same terminal made by Motorola—that can store up to 160 characters of information on a small display. This, the companies argue, is more than enough for most messages. The facility saves the person being paged the trouble of telephoning a specific place—say his home or office—to find out the nature of the message.

In contrast, British Telecom offers only a simple form of display pager. It has room for just 10 digits and cannot transmit letters of the alphabet.

Just 3,000 people rent these terminals from British Telecom.

The corporation will announce later this year a display pager that can reproduce a full message.

The delay, according to officials at the corporation's radio paging division (a branch of BT Enterprises), is due to the absence of display — paging terminals that will work according to the international standard for paging.

This is the POCSAG standard worked out by engineers at British Telecom (then the Post Office) in 1978. The standard was adopted internationally for tone pagers two years ago.

British Telecom says that it is worth waiting for display terminals that receive signals coded according this format. The transmissions will be shorter and so use the air waves more efficiently.

With the POCSAG standard, British Telecom says, a transmission of 10 characters takes one-third of a second, compared with three times this figure for non-POCSAG terminals of the kind used by the corporation's rivals.

STC, Motorola, Multitone and several Japanese companies are among the manufacturers working on POCSAG-type terminals for display paging.

Typically the rental for an ordinary tone pager is some 30p a day, about one-third the figure for a display pager.

PETER MARSH

ENERGY CONSERVATION

Lighting control

Concord Controls, a small Milton Keynes company set up in 1982 as a joint venture between Rotaflex and Prutec, the technology investment arm of the Prudential Assurance Company, has introduced a simple but effective product for the control of lighting.

According to the company, people in offices will quickly turn the lights on in dull weather, but are unlikely to turn them off again when the daylight improves to a level at which perhaps only half of them need be burning.

The problem is that most fluorescent tube lighting is switched so that all the tubes are either on or off. So the Concord engineers designed a simple device that can be fitted to any glow-start fluorescent unit in less than 30 seconds.

Called Splitstart, the device has the effect of placing a switch in series with the starter of one of the tubes in a twin tube fitting. On first applying voltage, the switch remains open and the glow starter is prevented from firing the tube. Only one of the tubes lights up.

However, a subsequent brief mains interruption caused by the user turning the light switch quickly off and then on again, closes the electronic switch and allows the unlit tube to fire normally. More on 0908 644366.

Fibres

Optronics gets funds

OPTRONICS, the Cambridge-based fibre optics company, has received an investment of £300,000 from city brokers Statham Duff Stoop in return for 27.5 per cent of the company's equity.

The money will be used for expansion of Optronics' activities. Today it specialises in making and marketing fibre optic components and electro-optic systems in computer and process control applications.

One of its more recent developments was that of an image digitiser which is used for the protection and copying of archive material. It can, however, also be used for high speed document transfer and has potential in electronic mail, document storage and retrieval applications.

The company intends to expand its activities in data communications and process control particularly in safe monitoring, data gathering and telemetry over the next 18 months following several trials of its fibre optic process control instrumentation around the UK.

Optronics has ambitious plans to raise its turnover from an expected level of £6.8m in 1984 to £600m by 1990.

Messages

Telex via micros

Telex messages can be sent from word processors, electronic typewriters, micro, mini and mainframe computers using Telexbox II from Data and Control Equipment (0296 32971).

Obviating the need for a dedicated telex machine, the small desk-top unit is completely self-contained and needs no special software. Communication with the computing device is via an ASCII port.

Among the features provided are selectable automatic re-try, a printer connection, fully buffered operation and a large message store.

Heating

Domestic controller

There can hardly be a householder who has not wondered how much it is costing him to hold the house at, say, 21 deg C while the outside temperature is several degrees below.

Those who feel the need to know will welcome a central heating controller that not only allows the usual sophisticated programming possible with a microprocessor, but also shows on a display how much is being spent on a day to day basis — or even hour by hour if desired.

The controller is called Checkcost and comes from Harp Heating of Bromley, Kent, although it will only be available for the time being on heating systems the company instals itself. More on 012-464 6575.

Conference

Manufacture

Both the implications and the implementation of computer integrated manufacturing will be dealt with at a conference called "Factories in 2001 A.D.," to be held at the Sheraton Skyline Hotel on March 6 and 7.

There will be speakers from Inbucon, Cambridge Consultants, SRI International, Lancaster, Aston and Liverpool Universities, DEC, Applicon, GE (USA), SI Handling, Martonair and BL Systems.

Rather unusually in this subject area, the organisers, Computer Application Consultants of Ascot, have bitten the bullet as it were, and invited presentations from both the AUEW (John Tuchfield) and ASTMS (Tim Webb).

More details from Jill Barker, CAC Conferences, Index House, Ascot, Berks (0990 23377).

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ENERGY REVIEW

A race to find oil beneath British soil

By Dominic Lawson

A HUNTSMAN, complete with red jacket, reins up his mount at a hedgerow. Further down the narrow country road, a wild deer grazes next to a donkey. Nearby are three other donkeys nodding rhythmically. Their diet: over 4,000 barrels a day of best quality Wytch Farm crude. For these are no ordinary beasts but the "nodding donkeys" used to draw up oil from below the ground.

The Wytch Farm oilfield, thousands of feet below the Dorset countryside, could contain about 200m barrels of oil. That makes it a "giant" in the language of the U.S. oilman, and it is larger than most of the next generation of North Sea fields.

The scale of onshore production in Britain is still tiny compared to offshore. Last year onshore output was 315,000 tonnes, out of Britain's total production of about 111m tonnes.

But North Sea output is now peaking and will soon move into decline. With the prospect of diminishing returns from the North Sea—because discoveries are likely to be increasingly small and remote—companies from BP and Shell down to such minnows as Honey Bear Petroleum, are stepping up the race to find oil beneath British soil.

That race intensified when the shipping and property conglomerate, Trafalgar House, announced on January 5 an agreed £78.5m takeover bid for Candecca Resources. Candecca has interests in licences covering 3.3m acres of British land, the largest spread of any oil company. The bid valued Candecca's unexplored acreage at around £20m, and that unexpectedly high figure has caused the City and the oil industry to revalue other onshore oil companies.

The man behind Trafalgar's unexpected move is Mr John Williamson, who joined the group in September 1982, having been BP's man in charge of UK exploration and production both on and off shore. Mr Williamson contrasts the cheapness of onshore oil exploration with "blundering about in thousands of feet of water north of the Shetlands."

That may be an extreme comparison, but the economics of onshore oil remain persuasive. According to Mr Paul Ellis of Charterhouse Petroleum, an onshore well costs between $500,000 and $1.5m compared with anything up to £20m in the North Sea. Mr Ellis disputes the argument that chances of finding oil onshore are more remote, pointing out that "our consortium's last three onshore exploration wells, in Godley Bridge, Palmer's Wood and Bottoms Copse, have all struck oil." The second largest proven onshore field in the UK, Humbly Grove in Hampshire, was discovered by the first wildcat drilled by Carless Capel and Leonard.

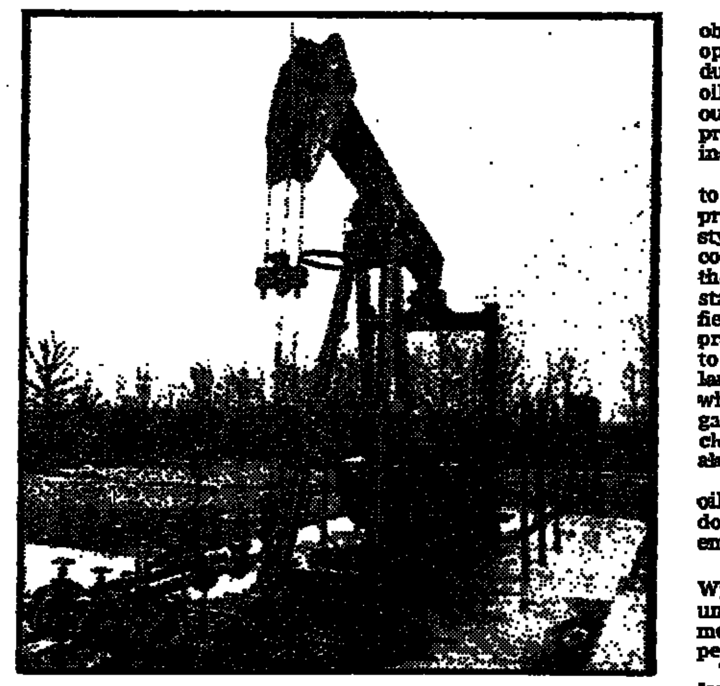
Palmers Wood, Bottoms Copse, Humbly Grove—the register of notable onshore finds sounds more like the itinerary of a rambler or bird-spotter than that of the oilman. But it is a clue to the biggest problem facing UK onshore exploration companies—how to meet the objections of environmentalists and locals, and gain the approval of county planning officers.

Environmental objections resulting in a public inquiry have prevented Shell from a proposed drilling programme in the New Forest. Conoco's plans to extract oil from its licence area covering Ashdown Forest have met sustained local opposition, augmented by that of Mr Christopher Robin Milne, whose grandfather, A. A. Milne's, 100-acre wood is near the American company's licence area.

The East Sussex County Council is expected shortly to declare the Ashdown forest area "no go" for oil exploration and development.

It is backed by the Sussex branch of the Council for the Protection of Rural England which recently fulminated: "With a surplus of oil throughout the world there is no possible justification for allowing American-based oil companies to go marauding wherever they choose in the English countryside."

Conoco takes great pains to present a human face to the communities in its target areas, largely by holding public meetings in the affected parishes. But the other leading company in the South of England, Carless Capel and Leonard, seems to derive an advantage from being an English family firm. The chairman, Mr John Leonard, who in manner and appearance is much more an English country gentleman than an oil potentate, reinforces that by paying personal visits to the homes of those who would be affected by his company's drilling programme.



A BP "nodding donkey" in the East Midlands

Hitherto the major onshore discoveries have been in the rural south of England, and this has thrust the problem of the ecology to the fore. But there is a second proven oil province in the UK. That is the East Midlands, where BP has been steadily producing oil since 1939, when it was prospecting under the name of D'Arcy Exploration. Production amounted to 300,000 tonnes during the war, when BP's East Midlands oilfields were of considerable strategic importance, being Britain's only source of oil that was out of the range of U-Boats.

One reason for the relative obscurity of BP's Midlands fields, which have produced close to 25m barrels of oil, is that they do not stand out in an area already a major province for another extractive industry—coal.

However, it would be wrong to paint Dorset as dozing in a pre-industrial, Thomas Hardy-style idyll until the oil companies moved in. Next to the British Gas gathering station for the Wytch Farm field there is a ball clay processing operation, belonging to English China Clay. The land around is covered with white fall out. The Wytch Farm gathering station, however, is clean to the point of being almost antiseptic.

Scenes like that lead some oil companies to suspect that double standards are being employed at their expense.

BP will be the operator of Wytch Farm, when British Gas, under orders from the Government, finally relinquishes its 50 per cent stake in the field.

The sale has been delayed for almost three years, partly because British Gas is an unwilling and forced seller, and partly because of uncertainty about the field's future development.

However, Dorset County Council resents the imputation that it is holding up the exploitation of a great national asset. Dorset's chief planning officer, Mr Alan Swindall points out that the delay cannot be attributed to the Council since BP has not yet approached him with plans for further development.

Together with Candecca, Conoco, Charterhouse Petroleum and Carless, another prominent company in the UK onshore industry is Floyd Oil Participations, which has concentrated its exploration in the East Midlands. Its Managing Director is Dr Vic Colter, who as chief geologist for British Gas was the man who first identified the potential for oil in the Wytch Farm geology. In Dr Colter's office there is a jam preserve jar which contains the first oil taken by the hardhats from the drill pipe at Wytch Farm. Over ten years old and caked with mud, the sample must be the holiest relic of Britain's onshore oil industry.

Companies looking for onshore oil must also reckon with the opposition of landowners, as distinct from the environmentalists. It is an unromantic fact that to find oil in one's back garden in modern Britain is more of a curse than a blessing. For, since the 1934 Petroleum Production Act, ownership of "naturally occurring" oil has been vested in the Crown.

Landowners can do their best to attract a hard bargain from oil companies wishing to purchase or lease land. But modern techniques, such as drilling deviated, or even horizontal wells, tend to reduce the opportunity for a landowner successfully to pressure an eager oil company.

Already a quarter of the land mass of Britain is covered by oil exploration or production licences. Most recently the industry has started to look in various parts of Scotland, where oil is seen as a much needed job creator.

But unlike other extractive industries in this country, oil is not labour intensive. Wytch Farm, the largest oilfield likely to be developed in Britain, provides jobs for a mere 70.

Although the discovery of Wytch Farm boosted the search for oil onshore, its size will almost certainly remain atypical of the industry.

But small discoveries will be highly profitable. The rationale of onshore oil in this country is one of low cost, small accumulations which benefit by one of the vagaries of the tax law. Petroleum Revenue Tax is not payable on a field producing less than 10,000 barrels a day.

The Government is now taking onshore oil seriously. The Department of Energy plans radical changes in the way in which companies conduct their exploration and production.

Under the old system of licensing, a company could knock on the door of the Department at any time and ask for blocks of up to 500 sq km. Under the new proposals, companies could find themselves taking part in licensing rounds of fixed duration, as in the North Sea. And the old jumbo blocks would be replaced by ones of no more than 100 sq km.

The Department has also pleased the environmentalists by suggesting that companies will have to get planning permission before they are granted licences to explore, appraise, or produce oil. When the new procedures become law later this year, the UK's onshore oil industry will have come of age.

UK ONSHORE OIL INDEPENDENTS

	Year end	Pre-tax profits*	Turnover	Estimated number of onshore wells planned for 1984
Candecca Resources‡	31 Mar 1983	(£684,000)	£75,000	22
Carless Capel & Leonard	31 Mar 1983	£2.74m	£21.8m	8–9
Charterhall	30 June 1983	£201,560	£3,837,786	1
Charterhouse Petroleum	31 Dec 1983	£9.5m†	n/a	8
Clyde Petroleum	31 Dec 1982	(£511,000)	£31.35m	1–2
Floyd Oil	30 June 1983	£60,883	£370,056	7
Goal Petroleum	31 Dec 1982	£920,000	£4.43m	1
Hadson Petroleum	31 Dec 1982	(£65,000)	—	8–9
Marinex Petroleum	31 Dec 1982	(£4,174,043)	£299,736	8–9

* Profits do not include onshore oil revenue. None of these companies is yet producing onshore, though several have made commercial finds.
† Rights issue forecast.
‡ Part of Trafalgar House since Feb 1984.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

In pursuit of a 'global taste'

David Housego explains why BSN's markets are increasingly concentrated outside France

GERVAIS' COLOURFULLY packed cartons of creamy fruit - flavoured "Petits Suisses" can be found on supermarket shelves from Tokyo to Mexico City.

"I strongly believe in the globalisation of taste," says Pierre Dupasquier, 53, head of the dairy products division of BSN, the French conglomerate, slipping into the new jargon of the food processing industry. Over the last three or four years he has based the division's strategy on the belief that tastes in food are becoming increasingly worldwide. "The heart of our business," he says, "must lie in 10 or 12 well defined products which can be sold throughout the world."

Dupasquier takes as his models two U.S. companies—McDonald's, which is now the largest restaurant chain in Japan, and Coca-Cola, which has achieved worldwide sales without varying its product. "People are still reluctant to concede that taste in food can span the globe," he says.

He supports his argument — and in so doing reflects the American-style approach of BSN's marketing — by pointing to a recent article in the Harvard Business Review on "The globalisation of markets." Dupasquier believes that Gervais' range of "Petits Suisses," yoghourts, white cheese and desserts have the qualities needed for "globalisation."

They are "nutritious, healthy and taste good," he says. They can be served without further preparation and have a favourable price cost ratio.

Gervais has already globalised its fruit-flavoured "Petits Suisses" which are now identically produced, packaged and marketed throughout much of the world. Advertising campaigns are virtually the same in such diverse markets as West Germany and Brazil, and even use the same film material.

The aim, Dupasquier says, is to project them as a sort of "magic potion" that gives children renewed mental and physical vitality. Because they are more concentrated than yoghourts, they are more expensive and thus consumers need persuading to pay the extra price.

Campaign slogans have been chosen which have worldwide implications. One much displayed advertisement focuses on the theme that a Petit Suisse is "worth a steak." Steaks have an image of strength from the U.S. to Japan.

For BSN's dairy products division, Japan was the last unconquered frontier. Japanese consumption of milk products is a fraction of that in Europe and the U.S. but is now growing.

BSN launched its attack on the Japanese market through a joint venture signed in 1979 with Ajinomoto, the Japanese food group which gives both partners 50 per cent. "We chose Ajinomoto," says Dupasquier, "because it already has an extensive distribution network and is used to working with foreigners." Ajinomoto has tie-ups with General Foods and the Kellogg cereal group.

Since starting up in Japan with its own production facilities, BSN sales of milk products have been expanding at a rate of about 25 per cent a year. The Japanese have come to like yoghourts as snacks. Dupasquier has now set himself two goals — to expand the range of products from the four or five items currently available, and to enlarge sales beyond the Tokyo region where they are currently concentrated.

Ajinomoto - Danone is already number two in yoghourt sales in the Tokyo area. "We are generally market leader where we are established," says Dupasquier. In France, Gervais Danone tops the league in sales of milk-based products, controlling about a third of the market. In Mexico and Brazil it has 50 per cent.

An exception is Britain where it had a subsidiary but subsequently ceased to manufacture. But Dupasquier says: "It remains an important market for us." He intends to be back—most likely, in the initial stages, through imports from France.

Why Antoine Riboud courts competition

BSN's net profits expanded by an average of almost 30 per cent FFr 574m (£48m) in 1982. With turnover of FFr 21.8bn, BSN is the fourth largest private company in France.

Its acquisition strategy has always followed certain clearly defined principles. It seeks well known brand names which are market leaders or number two in their field. According to Antoine Riboud, president of BSN since its birth through a merger 18 years ago, "it is a mistake, when operating in mass consumer foods, to purchase market shares that are too small to permit economies of scale in production, distribution or advertising." It is equally a mistake, he says, to acquire a monopoly. Competition helps to stimulate the market and enlarge it. Thus in France, all the major BSN brand names "have market shares of between 20 and 45 per cent."

Other important criteria for Riboud are a good distribution network and a pool of managerial talent. He tends also to insist on expanding through direct investment that gives him management control — even though this is more costly in terms of both funds and management time than the franchising agreements used by French rivals like Yoplait.

"BSN is like a Japanese group," says one analyst. "It takes its time and moves slowly before making a purchase." Riboud agrees. He says that in spite of a reputation for impatience that has lingered since his failed takeover bid for the Saint-Gobain glass group in 1968, he is "fantastically cautious."

Since moving into mass consumption food products in the 1970s, Riboud has emphasised the importance of marketing and has established one of the strongest marketing teams of any French company. "We have recruited," he says, "from the storehouses of the big U.S. companies and other multinationals . . . Colgate-Palmolive, Procter and Gamble, Nestle and Unilever." His number two today, Francis Gautier came from Colgate; Pierre Dupasquier, now head of the dairy products division and Michel Lasfargues, head of the drinks division, both came from Procter and Gamble.

Successful marketing, Riboud insists, depends first on achieving a better quality/price ratio than one's competitors. But with tastes in food becoming increasingly global, he believes that marketing opens up unlimited possibilities.

"What is the reason for the great success of yoghourt in France?" he asks. The answer, he claims, is that "it's cheaper than an orange. Thus if a housewife has to make a choice of a dessert, and there has been a proper marketing campaign, she will choose a yoghourt rather than an orange. It costs less, and is better for her child's health. One day the same phenomenon will exist in Japan."

Riboud, 65, has diversified BSN in a way that has no parallel in French industry. He has transformed it from being a European flat glass producer into the country's leading food processing company with worldwide sales of yoghourts, mineral waters, beer and pasta.

As he tells the tale, it was a case of pouncing on an unlooked-for opportunity. In his bid to catch up with international food giants like Unilever and General Foods, he had been looking for fresh acquisitions outside France.

But last year he had an unexpected visit from Xavier Gardinier, the head of two prestige champagne houses, Pommery and Lanson. Gardinier, whose family firm had also made an unlikely switch from chemicals into champagne, wanted Riboud's advice on whether a family enterprise could continue to shoulder the huge burden of financing an annual champagne output of 9m bottles a year.

The outcome was an agreement for BSN to take over Pommery and Lanson. The deal has brought into the BSN stable France's third largest champagne producer with exports accounting for 55 per cent of sales. It has opened up for BSN what Riboud now describes as a new "strategic" line of development in luxury products.

Riboud's strength has always been his speed to seize new opportunities. Two years after the merger in 1966 of glass manufacturers Boussois and Souchon Neuvesel, he was blocked in his attempt to expand the newly formed BSN when his dramatic takeover bid for the Saint Gobain glass and pipe group collapsed. In retrospect it was a lucky failure because Saint Gobain was nationalised in 1982.

Thwarted on that front, he began in the early 1970s to move BSN out of glass, where profits were low and investment high, into food and drink.

He bought the breweries Kronenbourg and Societé Européene de Brasseries at the start of an expansion trail that has made BSN Europe's leading brewer. He added Evian and Badoit to become Europe's largest producer of mineral waters.

In 1972 he moved into dairy products through acquiring Gervais-Danone. BSN now claims to be the "world's leading manufacturer of dairy products." It has concentrated on yoghourts, desserts and white cheese and expanded to the U.S. (through the purchase of the Dannon Company), Mexico, Brazil and Japan.

From Sir James Goldsmith's Generale Occidentale, Riboud bought the Amora, Vandamme and "La Pie qui chante" trademarks: from Britain's Brooke Bond he bought its Liebig subsidiaries in France, Italy and Belgium.

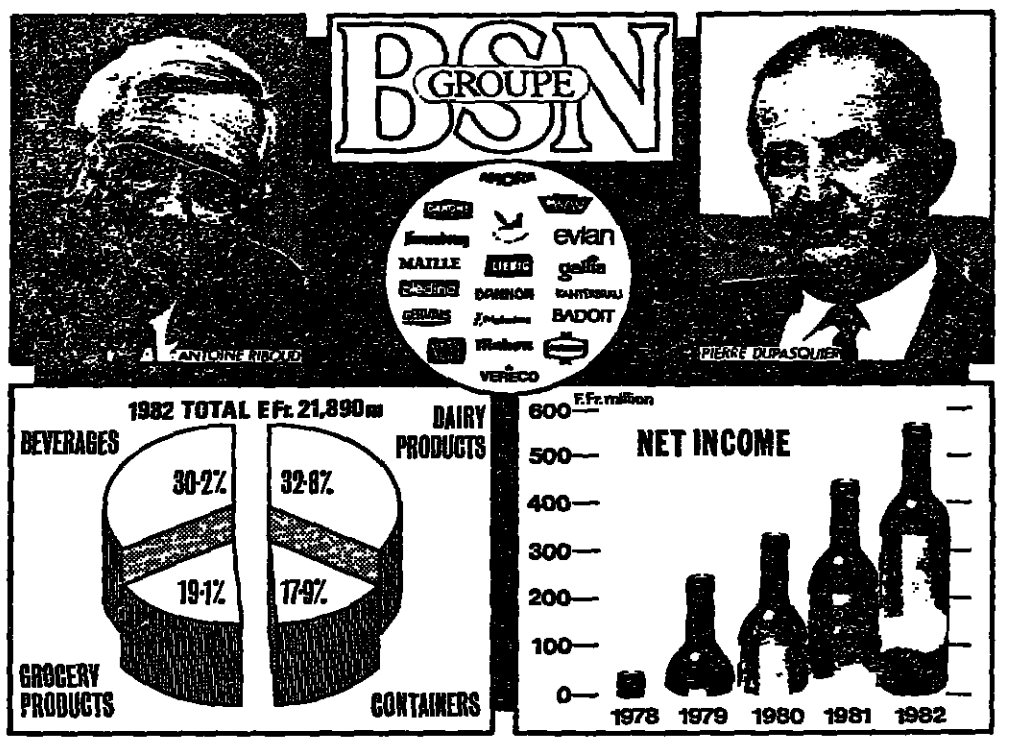
The BSN range of grocery products now runs from pasta to mustard, soups, jam and baby foods.

At the same time as building up BSN as a food processing group, Riboud also laid the ground for shedding its flat glass interests. By 1980, a costly restructuring enabled him to conclude profitable sales with Pilkington of Britain, Asahi of Japan and PPG Industries of America. Flat glass, which in 1968 had accounted for 95 per cent of BSN's empire, had disappeared from its books by the end of 1982.

Riboud's latest acquisitions fit well into his theory of a worldwide market for food; he believes that champagne can provide a "locomotive" to boost the sales of other BSN mass consumer items. "In a bar in Hong Kong or Dallas," he says, "Pommery, Lanson, Kronenbourg and Evian make a happy household."

Notwithstanding the gains he expects to make from buying two French champagne houses, Riboud insists that BSN's main line of expansion must be through further acquisitions abroad.

"We must amortise our research expenses and development on a worldwide turnover," he says. "By the end of the century France will represent only 1 per cent of the world's population, which is an insufficient market for our products."



Chris Walker

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Redundancy payment

I have recently been told by the Inspector of Taxes that a payment of £21,500 awarded for loss of office following redundancy is not to be allowed. The circumstances are that my wife and I were the sole shareholders in a limited company, running newsagents and some tobacco kiosks. I was the manager of the newsagents and started with a salary of £3,000 per annum. This was increased to £5,200 per annum for the last three months prior to selling the shop, four years after it opened. It was mainly because I took a low salary and worked excessive hours that the shop was successful.

Before selling the shop, I contacted the redundancy payments office and was visited by one of their officers. He confirmed that I would become redundant under the terms of the Act and that in addition to normal redundancy payment, could be awarded a tax free gratuity of up to £25,000. ICTA Section 188 subsection 3 also confirms this.

The shop was sold in March 1981 and the kiosks disposed of some six months later. The Inspector of Taxes now claims that in view of my salary and length of service, the compensation for loss of office is not acceptable. He has offered to apportion £6,000 as compensation and the remainder as additional emoluments for the period August 31 to February 1 1981. Is he entitled to overrule ICTA Section 88 which lays down no qualifications for the tax free payment, and if so, is he entitled to base his assessment of a fair payment on my salary which was extremely low, rather than my worth to the company?

On the bare facts outlined, your tax inspector's offer looks generous.

The company's auditors (or any local accountant) will be able to explain why it is not possible for controlling shareholders to avoid tax in this manner.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

BASE LENDING RATES

A.B.N. Bank	9 %	■ Hambros Bank	9 %
Allied Irish Bank	9 %	Heritable & Gen. Trust	9 %
Amro Bank	9 %	■ Hill Samuel §	9 %
Henry Ansbacher	9 %	C. Hoare & Co. †	9 %
Arbuthnot Latham	9 %	Hongkong & Shanghai	9 %
Armco Trust Ltd.	9 %	Kingsnorth Trust Ltd.	10 %
Associates Cap. Corp.	9½%	Knowsley & Co. Ltd.	9½%
Banco de Bilbao	9 %	Lloyds Bank	9 %
Bank Hapoalim BM	9 %	Mallinhall Limited	9 %
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Choulartons	10½%	United Mizrahi Bank	9 %
Citibank Savings ¶	10½%	Volkskas Intnl. Ltd.	9 %
Clydesdale Bank	9 %	Westpac Banking Corp.	9 %
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Sheila Ruskin and Shaughan Seymour in Strangers and Brothers: Geraldine James as Sarah and Tim Piggot Smith as Ronald Merrick in The Jewel in the Crown

Television/Malcolm Rutherford

Scott flattened—Snow rounded

"We may divide characters into flat and round." That was E. M. Forster in *Aspects of the Novel* in 1927.

The point about flat characters is that they never really develop. They can be expressed in a single sentence. Forster took the example of Mrs Micawber. "I will never desert Mr Micawber," *she said.* And she didn't.

The point about round characters is that they are capable of surprising in a convincing way. Falstaff is round; so is Widmerpool in the sequence of novels by Anthony Powell.

Flat characters, as Forster admitted, do not necessarily make for bad literature. Most of the characters in Dickens are flat, but as a novelist Dickens was an immense success, and still is. Flat characters have the advantage of being easily recognisable and easily remembered.

Besides, perhaps the world is flatter than we think. Most people seem flat, but sometimes it is their very flatness that makes them interesting. And the Forster thesis, however superficially attractive, always had a central flaw. The distinction was too crude. Many characters are neither flat nor round. It is how they move from one state to another that arouses attention.

Forster must have been very much on the mind of anyone who has been watching the series of televised novels in the last few weeks. It is not only that he dissected the workings of the novel so well in his Cambridge lectures. He also wrote the best novel about the British in India, and India's effect on the British who went there.

Paul Scott's *"The Raj Quartet,"* known on television as *"The Jewel in the Crown,"* owes an obvious debt to *"A Passage to India."*

Yet there is another reason why old literary debates are being recalled. Although it has been less acclaimed than Granada's venture into India, BBC 2 is serialising C. P. Snow's *Strangers and Brothers.*

Snow had a frightful argument with F. R. Leavis about the nature of culture and about what had, or had not, literary merit. No one would have pretended that Snow's characters were round and, one suspects, that Forster would have thought very little of his books. The surprise, however, is that the Snow sequence comes out rather better on television than *The Raj Quartet.* Snow has gone round; Scott has gone flat.

It should be said at once that there is no objective reason why a film should be judged against the novel from which it has been drawn. (The only subjective reason is that some of us remember the books.) It is an entirely separate product to be judged in its own right. Yet it is still very odd that *The Jewel in the Crown* is not as good as it should be and that *Strangers and Brothers* looks much better than it read.

The Raj Quartet has been coarsened and deprived of its subtleties. Here are a few random examples. Merrick is one of the great figures in a modern English novel, along with Widmerpool; the development of the characters by the authors has a lot in common. Merrick has a complex about not having been at public school. But it is not really as simple as that. There are all sorts of other reasons why he comes into conflict with the British, and indeed the Indians, in India. The television concentrates solely on the school background.

Mrs Layton, the mother of the two daughters, is clearly an alcoholic in the books. But she also has a bit of style and authority. On television she comes out largely as a bitch; the interesting edges have been lost.

Merrick apart, the roundest character in the books is Sarah, who develops all the time in a surprising yet convincing way. On television she becomes an utterly conventional character: the girl who thinks she's plain, overshadowed for a while by a younger, prettier but more stupid sister, and who gradually breaks out. She is the conscience of the novels, but that has not fully emerged from the screen so far.

Nor has there been all that much of India; it has all become a rather domestic drama.

There is an episode in the books when Merrick suddenly impresses the officers by inviting them to smoke after he has given his lecture on the Indian National Army. It is a shrewd gesture, calculated or not, that makes them relax. It is omitted from the television version. It is rather like omitting the episode of Aziz and the collar-stud from *A Passage to India.* A European thinks that he is a typical Indian not to be wearing one; in fact, the irony is that he has loaned it to a European in distress. In *The Jewel in the Crown* ironies are out.

By contrast, the fascination of *Strangers and Brothers* continues to grow. The episode about the election of the master to the Cambridge college is probably the best known of all. It was shown during the week that the Politburo was seeking a new leader in Moscow. One cannot have been alone in seeing some similarities. That is the way power works: a dozen or so men in a room, conspiring beforehand. It is not a condemnation to say that their language is stilted and that people don't talk like that. The fact is that they do.

Moreover, Lewis Elliott is not quite the flat character that he seemed in the books. The problem, well brought out by television, is that he does have emotions, but he doesn't know what to feel about. The performance by Shaughan Seymour seems to me superb. It has the capacity to surprise.

Christopher Dunkley, who gave his gloomy prognostications on BBC *Panorama* on Monday that more television means worse, will be back next week. I think he's wrong about that. It certainly wasn't true of books, and there are lots more novels that could be televised.

New York Opera/Andrew Porter

Fidelio at the Met

Jon Vickers and Eva Marton

It is rare for the Met to engage conductors of distinction, and so interest attached to Klaus Tennstedt's debut there, in December. The choice of opera was not propitious: *Fidelio* is an unsatisfactory 1970 production, originally by Otto Schenk, in spindly picturesque *scenery by Boris Aronson,* somewhere between Piranesi and Heath Robinson in manner. Over the years, I've seen it house some fine performances: from Gwyneth Jones, Hildegard Behrens, Jon Vickers, Kurt Moll. But the opera as a whole has never been as moving, as inspiring, as seriously staged as it should be; and the spoken dialogue has regularly been abridged to a point where its blunt, blurted statements move the audience to mirth.

With this production, Haitink came to grief two seasons ago, at his Met debut; and he has not been back. He had a poor cast: Shirley Verrett or Johanna Meier, Edward Sooter, Leif Roar. Tennstedt had a good cast on paper, headed by Eva Marton and Vickers. But the performance was disappointing. After the first night, a young British colleague, down from Boston, told me he did not think *Fidelio* a moving opera. I was shocked (and played him Lotte Lehmann's record of the aria). I went to the second night and—although I heard Vickers, whereas he had heard Sooter, deputising for a Vickers said to be ill—I saw and heard what he meant. It was an unmoving performance. But the fault was not Beethoven's.

Tennstedt is an erratic conductor, stirring at his best, splurgy and mannered at other times. This was one of the other times—a clumsy, rough, untidy performance, with the emotion on the surface and no long control of the dramatic movement. On the simplest levels it was disappointing. Much of Beethoven's moving power turns on timbre. (Think of Schnabel's piano playing, of the Vienna Philharmonic under Furtwängler.) Here, the string turns in the prelude to Act 2 were messy smudges; the drums banged all else into inaudibility in *Leonore No. 3* (built into this production, which has an elaborate scene change) and at the start of the finale, the strings under the trumpet signal boomed out. The first oboe, *Elaine Douvas,* had the right eloquence of utterance.

Eva Marton has a plain but very loud soprano that is bringing her easy fame. At the Met she has in past seasons sung the Dyer's Wife (in *Die Frau ohne Schatten*) and la Gioconda; she comes to *Fidelio* after wowing the Boston public as Turandot. She seems to me an unpolished and rather vulgar singer, though potentially an important one. The timbre is at the moment unvaried, monotonous. She seems honest but rather crude. The passages not plainly delivered were eccentric rather than eloquent: in the aria, the reprise at "Komm, o komm" was exquisitely soft, but only for a moment; in the dungeon duettino, the second subject, "Lasst mich nur wieder," was—why?—delivered in a breathy stage whisper, almost inaudibly. One of the great moments of *Fidelio*—immortalised by Lotte Lehmann's recording—is the fervent "ja, ja" in the aria. Miss Marton didn't even sing these words but substituted "ich weiss."

Vicker's Florestan has become so elaborately *bearbeitet* that it is hard to know just what to make of it. Like all his impersonations, it is evidently inspired by passionate identification with the character and the situations. Every ardent inflexion, every long pause has been pondered. But it has become so elaborate as to be not readily distinguishable from a bag-of-tricks interpretation. Form is obscured. Any simple momentum is lost. The result seems self-regarding, self-centred. Vickers now plays the Florestan of the finale as a shrinking, blinking White Rabbit unable, after his years of dungeon darkness, to face Fernando, light, and life; he all but hides under Leonore's coat. On a literal level it makes sense; in the context of Beethoven's musical affirmation it doesn't. It's a performance *at once powerful and overdone.*

Two big Finnish basses, Matti Salminen as Rocco and Aage Haugland as Don Fernando, gave sonorous but somewhat lumbering performances, a Fasolt-and-Fafner pair. Roberta Peters's Marzelline was admirable. Michael Best's Jaquino callow. In a smaller house, Franz Mazura's Pizarro would have been impressive; it was trenchant, crisp and stylish. But in the dungeon he dwindled to a puny adversary—dwarfed, vocally and physically, by Marton, Vickers and Salminen.

Canaries Sometimes Sing/Croydon

Michael Coveney

The Cambridge Theatre Company is on tour this week at the Ashcroft in Croydon with a neat and brittle production by Bill Pryde of Frederick Lonsdale's *Canaries Sometimes Sing.* Lonsdale's sexual quartet comedies of the late 1920s were entirely, and rightly, eclipsed in 1930 by Coward's *Private Lives.* This rarity was a success for Yvonne Arnaud and Ronald Squire in 1929. Like *On Approval,* it hints at a sexual experimentalism it never dares follow through and is sunk, finally, by resorting to a rather unpleasant moral strain.

Still, it is at least a collector's item. The scene is a successful playwright's country house. The writer, Geoffrey Lymes, is proud of the fact that he writes for money and not art. His wife, Anne, spends the week in town working for charity and encouraging the high brow literati. His old friend from Eton and Oxford, Ernest Melton, is a stodgy aristocrat who has married a chorus girl, *Elma. She is, we are* assured by Ernest, intolerant of convention.

Exposition is not the strong point in the play, but interest is engaged and the social world of the day convincingly coloured in. We have glimpses of bohemian snobbery, country manners, the trivial theatre (Geoffrey is congratulated on his good fortune *in living in an* age when managers couldn't read), boyhood camaraderie.

The canary, Percy, *sits* in his cage after an opening lecture from Geoffrey on the perils of marriage. The bird never laughs or *sings,* nor do these married folk, nudge, nudge. The spiralling mock melodrama of the second act and the surprise twists of the third, are all variations of what seems an obvious theme in the first act, where the boring couple—Ernest (Michael Hadley) and Anne (Diana Weston)—pairs off, while what, in 1929, you might have termed the gay couple, cheerfully ostracises them.

Unlike Coward's language, Lonsdale's never really differentiates between the two styles. And anyhow the waters are muddied by Lonsdale's own admittedly diverting, if leaden, aphorisms such as: "I can forgive you for loving my wife, but I can never forgive you for saying you don't."

On a bright, if obvious setting, by Alexandra Byrne, Madeline Smith plays the chorus girl as a bubble haired flapper, with hidden steel she unexpectedly bares in her departing attack on Geoffrey. Jeremy Nicholas invests Geoffrey with a fine, predatory technique which starts off as though acquired from Ian Carmichael and ends up acknowledging the baffled geniality of Derek Nimmo. In between, he is very much his own — and Lonsdale's — man.

Next week, the production moves to the University of Warwick and thence to Poole, Harlow and Cambridge.

They/Polish Theatre

Martin Hoyle

Stanislaw Witkiewicz is not a name that leaps to mind, let alone trips easily from the tongue, in connection with the theatre of the absurd. Godson of Modjeska, friend of Szymanowski and Malinowski, philosopher, painter and aesthete, he combined patrician disdain for the masses with contempt for the hypocrisies of capitalist democracy.

"They" are "the committee of the Secret Government," the real power behind the puppet establishment. "They are running everything, and we don't know who they actually are" sounds like the classic political paranoia; but Callisto Balandash, the icy sensualist whose exclusive passion for his art gallery leaves his expert lovemaking as soulless and efficient as a machine, is soon terrorised by the bizarre group into destroying his adored paintings and ultimately conniving in a distortion of truth by admitting to the murder of his mistress.

An elitist distaste for modern times is emphasised by Witkiewicz's time-serving worker and the eagerness of the insecure to believe: "We've got to have faith in something, no matter what it is." The ultimate emptiness of dogma is revealed in wailing black farce over a corpse with the cry of "they've taken the other world away from us and haven't put a new one in its place."

They themselves are as absurd and as sinister as any totalitarian gang this century has thrown up, led by a bravura performance from Timothy Block, a pock-marked toy soldier, and Victoria Harwood's archetypal Central European vamp. Andrew Kitchen's resemblance to a slimmer version of *Eraserhead's* hero hits the right note of nightmarish comedy. Paul Brightwell directs in Ginnie Humphries's set, irregular cubist furniture threatened by a lowering mobile with a hint of a jagged Frink bird about it.

The play's powerful resonance is personified by Callisto's incredulous and panicky "They actually exist—they're here in my house and they can do anything." The author might have remembered the line on the day he realised his country had been invaded by those old rival predators, Germany and Russia; and cut his throat.

Nightcaps in demand

A gentleman's nightcap of around 1600, made of linen and embroidered with gold and silver thread, sold for £2,700 at Christie's South Kensington yesterday to a New York dealer. The nightcap was in good condition, better in fact than the nightcap believed to have been worn by Charles 1 on the scaffold which recently sold for £13,000.

A young girl's corset in fustian of about 1800 made £1,300 to Kamer the London dealer.

Ousset et al/Festival Hall

David Murray

Capital Radio and Lancôme (Paris) collaborated in presenting the London Philharmonic concert on Monday. The purely orchestral portion, with James Loughran conducting, requires no special comment: sturdy performances of Berlioz's Overture "Le Corsaire" and the Mussorgsky/Ravel *Pictures from an Exhibition* would have been sharper with, respectively, really exciting pianissimos and more *confident* brass solos. Sound tempi, sensible musical treatment; nothing to *stay in* the mind for very long.

The soloist was Cécile Ousset, however, gloriously at home in her native repertoire after a recent encounter with Schumann which misfired. In the first half she gave us the Saint Saëns Concerto No. 2, an old warhorse that needs playing of this calibre to justify trotting it out again. No doubt it is child's play for Miss Ousset, but her *sovereign* range—from dancing, quicksilver precision to alarming power (*but never forced, never* ugly)—is just what the Concerto must have in order to come to life. Certainly it is given to toy-lion roars behind which there's only soft stuffing, but the tigerish Ousset attack added its own conviction.

The style was impeccable — in elegant clarity, in just proportions and in alert dialogue with the orchestra. The threat of vulgar rollicking in the Scherzo was neatly scotched. Loughran was an excellent accompanist, though ensemble slipped occasionally later in Franck's *Variations symphoniques.* There Miss Ousset surpassed herself: the lyrical passages had a tenderness and simple grace beyond the virtuoso poise one expects from her. I doubt that I've heard a live performance of this work in which the piano sang so idiomatically. Capturing the light brilliance of the figuration is easier, but of course she did that perfectly, too. A lovely piece, lovingly revived.

Arts Guide

Music/Monday. **Opera and Ballet**/Tuesday. **Theatre**/Wednesday. **Exhibitions**/Thursday. A selective guide to all the Arts appears each Friday.

February 17-23

Theatre

LONDON

Master Class (Old Vic): Timothy West as Stalin confronting Shostakovich *and* Prokofiev with charges of degeneracy in their music. David Pownall's gripping new play is second into the beautifully refurbished Old Vic after the departure of Blondel to the Aldwych. (928 7616).

Little Shop of Horrors (Comedy): Campy off-Broadway import which is less good than The Rocky Horror Picture Show but which has a curious charm, a full-blown performance from Ellen Greene and an exotically expanding man-eating prickly plan. (930 2578).

Sufficient Carbohydrate (Albery): Transfer after a sold-out season at Hampstead for Dennis Potter's menopausal, over-symbolic but truculently written comedy on a gleaming white Greek island set. Dinsdale Landen superb, yet again, as a garrulous drunk. (836 3878).

Tales From Hollywood (Olivier): Nearly the last chance to catch Christopher Hampton's witty scenario for Austrian émigrés in Hollywood between the wars. Michael Gambon is the playwright von Horvath, Ian McDiarmid a vulpine, cynical Brecht. Large-scale epic play, funny and thought-provoking on the subject of the Artists in exile. (928 2252).

Hay Fever (Queen's): Penelope Keith is more "right" *for Judith Bliss than* was either Edith Evans or Celia Johnson. She is very funny, winsomely autocratic, distracted. The supporting actors roll over without protest. (734 1166).

Pack of Lies (Lyric): Judi Dench in a decent, enthralling play about the breaking of a spy ring in the suburban Ruislip of 1959-60. Hugh Whitemore's script cleverly constructs a drama about betrayal from the friendship of neighbours. The story is based on fact and well directed by Clifford Williams. (437 3686).

The Real Thing (Strand): Susan Penhaligon and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (836 2660/4143)

Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slips, hockey sticks, a clifftop rescue, stout moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood. (437 1592)

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888)

WASHINGTON

Beyond Therapy (Kreeger): Christopher Durang's romantic comedy has all the elements of modern singles life including meeting through the personals column of a newspaper and a scene in a hip restaurant, but it reflects more than explores the *shallowness of a surfeit of choices.* Arena Stage (488 3300)

The School for Scandal (Folger): With Dawn Spare as Lady Teazle and Lilene Mansell as Lady Sneerwell, Sheridan's "delicacy of hint and mellowness of sneer" comes to give inspiration close to the nation's Capitol in a production directed by Allen R Belknap (546 4000).

Death of A Salesman (Eisenhower) A new production with Dustin Hoffman as Willy Loman starts a cross-country tour destined to end up on Broadway in the spring. Ends March 18. Kennedy Center (254 3670).

NEW YORK

Cats (Winter Garden): Still a sellout. Trevor Nunn's production of T. S. Eliot children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262)

La Cage aux Folles (Palace): Perhaps this season's outstanding musical comes, like Evita and Cats before it, at the very beginning of the theatrical year. Despite stellar names such as Harvey Fierstein writing the book and Jerry Herman the music, the best parts of the show are not the hoopla, apart from the first-act finale a la Gaité Parisienne, but the intimate moments borrowed direct from the film. (757 2626)

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450)

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200)

Nine (46th St): Two dozen women surround Sergio Franchi in this Tony-award winning musical version of the Fellini film 8½, which like the original celebrates creativity, here as a series of Tommy Tune's exciting scenes. (246 0246)

On Your Toes (Virginia): Galina Panova with presumably a genuine Russian accent leads an exuberant cast in the remake of Rogers and Hart's 1936 sendup of Russian ballet tours, complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (977 9370)

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscence now that the Nederlander organization generously decided to name the theatre after the generation's outstanding box office draw. (757 8646)

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200)

Carmen (Vivian Beaumont): Peter Brook has done an excellent job in transforming this Lincoln Center landmark into a spruced-up version of his grubbier Paris Bouffe du Nord home for a fast-paced, stripped-down seven-performer, but wholly engrossing version of Bizet. (874 6770).

Noises Off (Brooks Atkinson): Dorothy Loudon brings Michael Frayn's backstage slapstick farce to Broadway in Michael Blakemore's production that includes Brian Murray, Paxton Whitehead and Victor Garber as her backstage conspirators. (245 3430).

The Real Thing (Plymouth): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new found attention to the heart that beats beneath the veneer, arrived on Broadway in a cast headed by Jeremy Irons and Glenn Close, directed at a fast clip by Mike Nichols. (239 6200).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems *from the original film like Shuffle* Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020)

CHICAGO

Glengarry Glen Ross (Goodman Studio): Gregory Mosher directs David Mamet's story of Chicago real estate dealers which premiered at the National Theatre in London. Here the cast includes Mike Nussbaum, Joe Mantegna, James Tolkan and J.T. Walsh. Ends Feb 26 (443 3800).

E. R.(Forum): Moving into its second year parodying melodrama in a hospital setting, this emergency room continues its adventures among a young doctor, a receptionist and an authoritarian nurse. (436 3000)

Paris exhibitions

Alasdair Steven

Paris always seems awash with exhibitions. While the much publicised Raphael exhibition has, justifiably, had long queues at its doors out in smart suburban Passy, the Musée de Marmottan boasts a permanent exhibition of "Monet *and his friends" which goes unsung.*

On the ground floor of this spacious villa there is a fine collection, donated by Daniel Wildenstein, of religious art and Second Empire furnishings. The glory of the Marmottan, however, came about two years ago when it inherited two important bequests of Impressionist paintings, one coming from M Michel Monet, the artist's son. To house these additional canvases, a special circular salon was built in the basement.

The overall standard of the paintings does, it has to be said, vary considerably, although that which is good is very good. The lighting also tends to be somewhat obtrusive. Those grumbles apart, the Marmottan seems underrated in the league table of private galleries in Paris.

It has the exquisite Impression Soleil Levant which Monet painted in 1872 and which has given its name to the whole movement. Through the warm morning haze, the red sun flickers on the port and boats of Le Havre. The work seems to sum up everything the Impressionist school was trying to say; just to see this masterpiece is worth the short journey from central Paris.

One can sit in the circular salon and gaze upon several of the famous *"Les Nympheas"* which Monet painted in his Normandy home at Giverny. To experience so many collected together is invigorating: it gives a sense of scenic con*tinuity as if one was sitting inside* and looking out on the garden. In the middle of the salon there is a glass case which contains many of the artist's personal effects and some letters. There is a particularly poignant letter to Renoir in 1875 pleading abject poverty.

There are three excellent examples of Monet's visit to London – views of London bridges and a superbly bold and definite canvas of the Houses of Parliament through the fog. How right Oscar Wilde was to remark that he could never look at London's bridges in the same way after seeing Monet's paintings.

There are outstanding contributions from other artists, including two portraits by Renoir of Monet and of Mme Monet. The latter is sensitive and charming, while a portrait of Mlle Victorine de Bellio combines a lightness of touch with expert colouring. There is a wintry Pissaro *"Les Boulevards exterieurs",* a bustling *"Avignon"* by Jongkind and several enchanting Boudins.

The Musée de Marmottan is a little jewel of a gallery. The nearest Metro station is La Muette, entry is FFr 15 and the informative catalogue FFr 100. It is closed on Mondays.

At the rejuvenated Hotel de Ville – cleaned up, it now sparkles under its nocturnal floodlighting like a wedding cake – there is a small exhibition (until March 15) of six *young French artists* called *"Une Nouvelle Génération."* Four of the contributors have already shown in London (Alberola, Combas, Gauthier and Rousse) and the overall impression from the two dozen or so canvases on view was of tremendous vitality

Two in particular stood out. Patrice Giorda's series entitled *"La Grande Institution"* contrasted vivid stark colours on a row of coffins and Jean-Michel Alberola's enigmatic *"L'Histoire de la Peinture"* had a driving force in the eyes of the painter at work.

In the centre of the commercial area there have just been two important openings of selling exhibitions. The Galerie Guiot has mounted a retrospective of the work of Bardonne. There is a particularly fine Tuscan landscape and a somewhat baffling snow scene. At the Galerie de la Presidence there is a showing of the important artist from northern France, Marcel Gromaire, whose figurative nudes have been fetching exceptionally high prices at recent auctions.

Gromaire's work has been shown extensively outside France since his death in 1971

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Preparing for the big bang

THE STOCK EXCHANGE Council has decided that minimum commissions should be abolished in one big bang, but that the change should not take place before the autumn of next year. This is fine — provided that *the intervening time is put* to good use.

Any attempt to introduce negotiated commissions by stages would have been doomed to failure, since brokers would have been willing to cut margins to the bone in negotiated business in order to gain market share in those areas where the minimum scale still applied. The delay in implementing the change, which is longer than some market users had been hoping, is justifiable too. This is because it is becoming increasingly obvious that when minimum commissions disappear, so will the current method of trading on the Stock Exchange.

The breakdown of single capacity — whereby the roles of broker as agent and jobber as marketmaker are kept completely separate — may not have been an inevitable consequence of the move to negotiated commissions, which was agreed last summer. But the Government and the Stock Exchange have made it plain that they will not try to resist market forces which lead in this direction, and enough member firms are now planning their future on the view that the trading system is going to change to make the assumption self-fulfilling.

If that is correct, it is highly desirable that the Stock Exchange should start planning for the new era. The worst possible outcome would be a period of uncertainty leading up to negotiated commissions, followed by another period of uncertainty (or worse) before the jobbing system was forced to change too. If there is to be a "big bang," let it be big enough to blow away as much of the confusion as possible in one go.

Investor protection

In that case there is a great deal to be done in the meantime. The Stock Exchange has to decide what the new method of trading should be, and how it should be regulated. Then it has to install the equipment that will help to ensure that trading rules are observed and that dealers can communicate with each other. This is bound to involve a lot of electronics and, probably, some kind of central price recording system. Finally, the authorities will have to take a view on the adequacy of investor protection in a market where the agent and the wholesaler may be one and the same firm. It will be quite an achievement to get all that done in 18 months.

So far, the move towards dual capacity has been driven by member firms—like the jobbers, who have been lining themselves up with merchant banking partners. The time has now come for the exchange to stamp its own authority on the reform. Two of its committees are now tackling the vital issues about changes in the dealing system and in the membership, and it is hoped that a discussion document on the future shape of the market will be published within the next couple of months.

View of future

The earlier the exchange can commit itself to a view of its future, the smoother the period of transition will be. But the Department of Trade and Industry and the Bank of England have an important part to play too. They each have a vital interest in the maintenance of a liquid central market place—which could be undermined if a move to dual capacity meant that business was shifted away from the exchange. So far, they have appeared willing to let market forces dictate the changes. It is important that they should play a more active part in the proceedings.

The laissez-faire attitude which ministers have shown up to now ignores the lessons of much past experience, including the City's own financial crisis ten years ago and the unpleasantnesses which have recently surfaced at Lloyd's. As potential conflicts of interest multiply, our defences against their possible consequences must be strengthened.

As for the decision to cut the commission scale on certain gilt-edged transactions, which was also announced yesterday, this is more of a public relations exercise than anything else. It may appease investors who had wanted more rapid reforms. It has certainly irritated the big gilt-edged brokers, who argue that they should have been allowed to build up muscle ahead of the coming battle. But in the light of what is to come, it all looks a bit irrelevant.

Disengagement in southern Africa

SOUTHERN AFRICA is within reach of a non-aggression pact with far-reaching implications for the region. The meetings this month in Lusaka and Maputo of South Africa ministers with their counterparts from Angola and Mozambique have begun a process of military disengagement which not very long ago appeared impossible.

In Angola, South African troops have been occupying the south of the country in an attempt to pre-empt incursions by guerrillas of the South West Africa Peoples Organisation (Swapo), fighting for the independence of Namibia. They have clashed on occasions with Angolan forces, which are supported in the background by about 25,000 Cuban soldiers, held in reserve. The fourth element is the Unita guerrilla movement, backed by South Africa, which is waging an increasingly successful campaign *to overthrow* the Government of President Eduardo dos Santos.

Across on the east coast the South African influence is less evident but equally disruptive. Mozambique National Resistance (MNR) rebels, who get much of their support from Pretoria, have been conducting a debilitating hit and run campaign against the Government of President Samora Machel.

Less clear cut is the case of Zimbabwe, whose Government *accuses South Africa of* backing dissident activity in the southern province of Matabeleland.

Industrial giant

What African states term "destabilisation" comes on top of steadily deteriorating economic conditions in the so-called front-line group. The combined impact of the world recession, low prices for their exports, economic mismanagement and the worst drought this century, have left their economies in dire straits. In the case of Angola and Mozambique, the heavy burden of additional defence spending exacerbates their predicament.

Apart from military might, South Africa holds further cards in dealing with these states. It is the region's industrial giant and the largest source of *supplie for Zambia*, Zimbabwe and Mozambique, while Botswana, Lesotho and Swaziland are virtually economic clients. South African railways and ports are vital outlets for the region's hinterland.

The result is that the black-ruled states have found their front-line role increasingly burdensome. Angola and Mozambique have thus been forced to the bargaining table.

The details of the two agreements have not yet to be fully worked out. In Angola, the disengagement of South African and Angolan forces which has been going on this month was followed up in Lusaka by the establishment of a commission to oversee a formal ceasefire, while it is presumed — though not confirmed — that Pretoria will reconsider its support for Unita.

In Maputo there emerged agreement in principle on unspecified security arrangements, thought to involve a *quid pro quo* in which South Africa ends its backing of MNR and Mozambique restricts the African National Congress (ANC) to diplomatic activity and attempts to prevent ANC guerrillas from passing through the country *en route* to the republic.

While these first tentative moves are welcome, the next steps will prove more difficult and will provide the real test of southern African detente.

If there is to be peace in Namibia the United Nations settlement plan, based on Resolution 435, must be implemented without delay allowing Swapo and other parties the right to contest the independence elections. The major stumbling block has been Pretoria's insistence on the withdrawal of the Cuban troops from Angola as a precondition to any settlement. The Lusaka accord raises hopes that a formula can be found—perhaps step-by-step mutual withdrawal of South African and Cuban forces—which satisfies all parties.

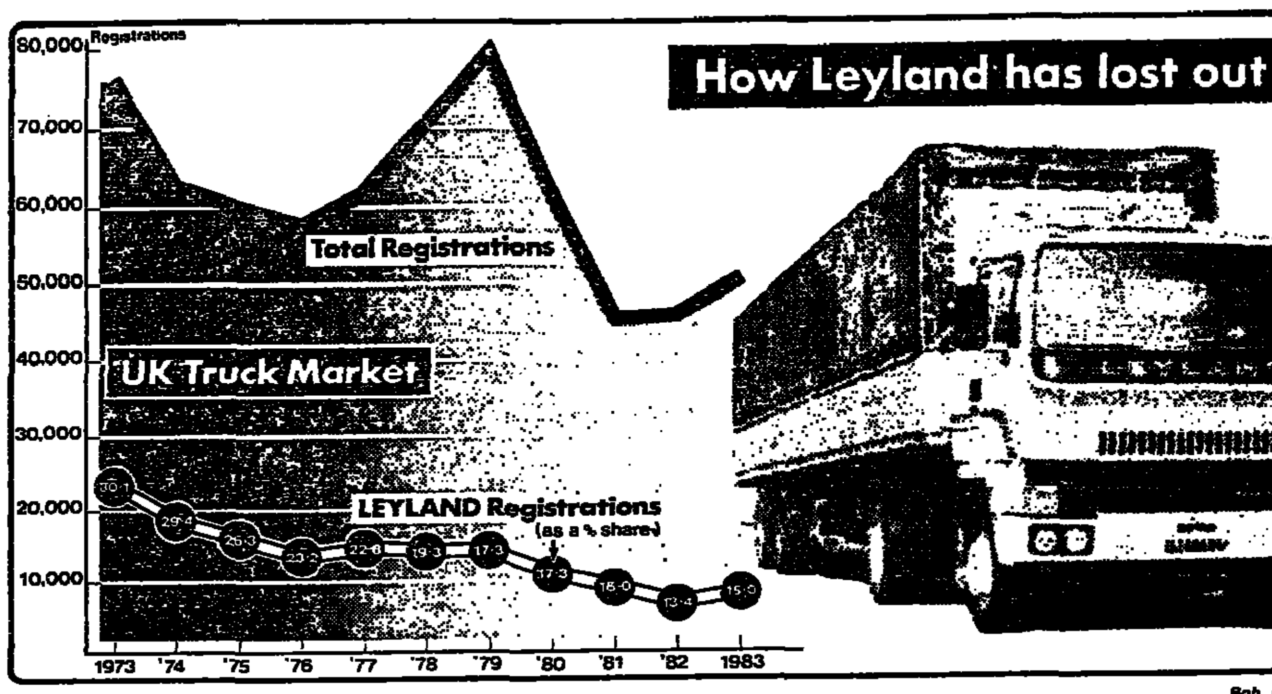
The agreements do not, however, indicate a change of heart by the protagonists. On the part of the front-line states they represent no more than a recognition of reality, while South Africa has made no fundamental concessions.

As for the internal situation in South Africa, the Mozambique meeting will be a blow to the ANC and undoubtedly hamper its *campaign of sabotage in the* republic. In the short-term this may reduce the pressure on Pretoria for further political change. But it will not in itself end South Africa's internal tensions.

LEYLAND TRUCKS' FUTURE

Hard choices on the road back

By Kenneth Gooding, Motor Industry Correspondent



Bob Hutchison

THE British Government must very soon take some crucial decisions about Leyland Trucks which, even in its present dilapidated state, remains the only substantial British-owned company in the truck making business.

The company signalled the extent of its latest financial crisis in December when it halted all new capital spending and began an urgent review of its manufacturing operations.

Leyland is not the only European truck maker with problems—MAN of West Germany and Renault of France are also in trouble—but the company knows that the hiatus over its future cannot continue.

Thus it is Leyland—not privatisation—which is the most pressing problem for Ministers as they consider what to do with BL, the state-owned group which is its parent.

The options being considered for Leyland include: an orderly run-down and closure of the business; sale to another commercial vehicles group; Government approval for the management to struggle on with further cost-saving measures; the injection of more state money to see Leyland through the current world recession in truck demand and to allow it to continue with an unchanged investment programme.

The likely outcome is that the Government will give the go-ahead for further radical restructuring of the Leyland manufacturing operations, and the Bathgate plant in Scotland currently looks very vulnerable.

Inevitably, there will be yet more recriminations and the search will begin again for an answer to the question: what went wrong for Leyland which only 20 years ago claimed to be the world's major producer of heavy vehicles with an annual output of 120,000?

The most important single factor was the failure of Leyland's engine renewal programme during the 1970s. At a time when competition throughout Europe was intensifying, it had a major disaster with the 500 engine, intended for medium-to-heavy trucks and which accounted for 15 to 20 per cent of total engine output. The 500 was a futuristic unit without a cylinder head and thus became known in the industry as "the headless wonder."

"The 500 was a light and economic 'throwaway' engine but it was out of date when it was launched. It was designed when the average truck travelled 30,000 miles a year but was launched when 100,000 miles became the norm because the motorway system was opening up rapidly," recalls Mr Sam Newton, managing director of Gilbraith Commercials of Chorley, and recently-elected chairman of the Leyland Truck Distributors' Association.

Leyland's engines had had a good reputation until the 500 was introduced and initially it was snapped up. A senior Leyland Trucks executive who lived through the experience says: "There were some operators who went out of business because they had so many trucks laid up with engine failure. It is seven years since the 500 went out of production and the rancour still persists. There are some truck operators who will never buy another Leyland vehicle because of the 500 debacle."

The 500's problems also damaged Leyland's reputation for spares supply and service back-up. Operators were told that shortages of spare parts were responsible for dealers' failure to put the engine right—an explanation preferable to an outright admission that Leyland for some time simply did not know how to cure the engine's problems.

The 500 engine problem overtook Leyland at the time when the two Scandinavian heavy truck producers, Volvo and Scania, were making the first determined attempts to break into the British market—then (as now) the second largest in Europe for trucks over 3.5 tonnes gross weight.

Leyland's share of its domestic heavy truck market shrank rapidly, from 30 per cent in 1973 to 19 per cent in 1978 and 17 per cent by 1980. It bottomed-out in 1982 at 13.4 per cent.

Leyland also suffered in the 1970s from the aftermath of the 1968 merger of Leyland with the British Motor Corporation to form British Leyland Motor Corporation. The BLMC Board decided to make up for many years of under-investment in the volume cars business by subsidising Austin Morris for three years with profits from other parts of the group, particularly from the then highly-profitable Leyland operations.

Between 1968 and 1980, Leyland had no totally new trucks to offer the market whereas its competitors offered new cabs and engines all through the period and prepared for the competition they expected in an enlarged Common Market.

Leyland has been struggling to catch up ever since.

It received about £350m of the £2bn Government money injected in BL since 1978, much of which was spent on new products and the facilities in which to build them. The T45 "Trucks for Europe" range was launched in 1980, followed by new models aimed at *Leyland's traditional export* markets in Africa.

The key model in the T45 range is code-named MT211, and Mr Ron Hancock, chairman of Leyland Vehicles, says it "is as important to Leyland as the Metro was to Austin Rover." MT211 will not be launched until later this year and will not make any significant impact on the company's market share until 1985.

Yet despite *this* progress, Leyland cannot avoid being threatened by the same factors which have damaged the whole European truck industry in Europe, in the Middle East and in the developing countries.

First, the 1980 recession. Excess capacity rose sharply throughout Europe and this was followed by a price war as manufacturers attempted to keep their plants operating at *reasonable levels of output.*

In Britain the situation was worse than in any other markets apart from West Germany—sales of heavy trucks slumped from 80,000 to 44,000 a year.

Leyland attempted to cut its cost base to a much lower and viable level during 1982. The workforce was cut by 27 per cent (4,100 jobs) the Guy plant at Wolverhampton was closed, other manufacturing operations were reorganised and Leyland discontinued manufacture of one of its low-volume engines, the TL12.

This "radical plan" created a cost structure with a breakeven annual output of 20,000 trucks, a far cry from the 41,400 produced in 1975 and even below the 22,950 made in 1980. But *Leyland's truck production was* only about 11,000 last year and the company looks for an output of no more than 12,000 in 1984.

The recent fall in output has been caused by a collapse in African export markets as countries ran out of funds. Leyland's exports totalled 14,000 to 15,000 a year in the 1970s, were 10,000 in both 1980 and 1981, fell to 5,000 in 1982 and last year slumped to 2,700.

Leyland lost all its business with Iran after the revolution and now its other big market, Nigeria, has gone very sour. Nigeria would buy 2,500 trucks in an average year, but ordered only 300 in 1983.

Leyland's current level of output puts it very much into the second division among the European truck manufacturers.

Like DAF and Enasa, Leyland will have to rely increasingly on co-operative deals and will have to buy in many key components if it is to survive.

Leyland Trucks' losses reached £59m in 1982 and the signs are that there was a similar deficit last year. It was not alone. Most of the UK-based truck makers suffered losses during this period.

Last summer the collapse in export markets precipitated a further 450 redundancies at the Bathgate plant near Edinburgh where the export trucks are assembled, cutting the workforce by a further 20 per cent to 1,750.

In January this year Leyland announced 1,057 more redundancies at three other plants: Albion in Glasgow, Leyland in Lancashire, and Scammel at Watford. And the company said a review of operations at Bathgate would continue for several weeks, increasing fears that the plant may be closed completely.

That does seem to be on the cards. Even closure of Bathgate would leave Leyland with substantial excess capacity because Bathgate and the Lancashire plants each have the capacity with two shifts to produce over 40,000 trucks a year.

But the Government may think the closure of Bathgate preferable to closure of the total Leyland Trucks business. To start with, this would be the biggest single closure by any BL company and cost 9,700 direct jobs. The Department of Trade and Industry estimates the "knock-on" effect would cost a further 15,000 jobs indirectly.

Leyland's management may be down, but they insist they should not be counted out and that Leyland Trucks will *become profitable again.* Mr Hancock, talking about Leyland Vehicles, which includes the bus and spare parts operations as well as trucks, said recently that the company expected to be profitable by 1987 or 1988.

Of the other options available to the Government, the sale of Leyland to another company seems unlikely given the overcapacity in Europe, the fact that the major U.S. companies are already represented in Britain and that disposal of Leyland to a Japanese group would be politically awkward.

Also there is little chance of Leyland being given more money. The BL Board has not asked for any, having promised the Government last year that it would never again present its begging bowl.

The unions argue, though, that the money spent by Leyland simply enabled it to catch up for the years of under-investment in the 1970s and that other truck businesses are being given Government support to help them through the current recession, the worst-ever for the industry. The Spanish Government has promised Enasa £53m and DAF is to receive £82m from the Dutch Government.

The UK Government hardly seems likely to be swayed by such arguments.

What is more likely to have caused Ministers to pause for thought is the savage impact on central Scotland of the closure of Leyland's Bathgate plant and the loss of 1,750 more Scottish jobs would have.

The freeze on capital expenditure announced just before Christmas claimed as its major victim the £30m scheme for Leyland to build a new diesel engine at Bathgate as part of a deal with Cummins, the U.S. group. The first phase of that project, costing £10m, was started last August. When the freeze was imposed, however, Leyland had committed itself to only £4m of orders for equipment.

So it would not be too expensive for Leyland to pull out of the arrangement with Cummins, claiming that the arithmetic has changed and that in future it would make more sense to buy engines from UK-based companies instead of manufacturing them in-house.

There are many respectable precedents for this approach both in the UK and overseas.

The search for viability has already forced Leyland to end production of its own gearboxes. If it closed Bathgate and dropped the Cummins engine *project—designed to provide* a power unit for its medium-weight vehicles—Leyland would have moved well down the road from being an integrated business making all its own key components, to being simply an assembler of other companies' products.

The Government will probably take the view that, if that is needed to make Leyland Trucks profitable, then so be it.

EUROPEAN COMPANIES COMPARED

OUTPUT OF TRUCKS OVER 3.5 TONNES GROSS WEIGHT AND BUSES OVER 15 SEATS) (000s)

	1978	1979	1980	1981	1982
Daimler-Benz (West Germany)	116.5	126.8	139.8	141.2	129.0
Iveco (Italy, West Germany France)	103.4	110.2	112.6	106.7	92.1
Renault VI (France)*	48.9	45.8	54.1	46.9	38.0
Volvo (Sweden)	29.9	33.5	35.4	30.3	33.4
Ford (UK)	33.9	50.4	40.3	20.7	25.6
Scania (Sweden)	21.3	24.8	27.7	25.2	20.9
MAN (West Germany)	20.4	21.2	24.5	25.5	20.0
Bedford (UK)	48.6	32.8	37.4	19.6	18.4
Leyland (UK)	28.0	29.2	23.0	16.9	14.3
DAF (Netherlands)	11.4	15.1	10.1	12.3	13.5
ENASA (Spain)	10.0	8.3	8.4	8.0	12.0

* France only: other manufacturers' totals include all European production.

Industry sources.

Men and Matters

Goldsmith's parting shots

Walter Goldsmith made his farewell speech to the Institute of Directors' convention in the Albert Hall yesterday. His five years as IOD director have dramatically raised its profile *and hardened its stance.* Goldsmith has had to face many accusations of being more Thatcherite than the Prime Minister.

He seemed concerned to counter that. He paid a graceful, and no doubt highly unwelcome, tribute to Len Murray, TUC general secretary, "for his bravery in calling a halt to direct confrontation with the law."

Even more controversially, he praised Dr David Owen, the SDP leader, for thinking "very much in line with free market principles."

"If I were asked," said Goldsmith, "who were the two front runners as the next Conservative Prime Minister, I would have to say Norman Tebbit—and David Owen."

Not everything went as smoothly for the IoD as its director's speech, however. An *error in the delivery of flowers* to the eve-of-convention banquet on Monday night—which was a special dinner for its Northern Ireland branch—meant that several hundred daffodils turned up, each adhering to a leaflet begging the reader to invest in Wales.

Dublin line

The latest bugging sensation in the Irish Republic is already providing rich material for Dublin's wits.

Men posing as Post Office engineers planted a bug in a house used by Ulster politician Seamus Mallon. The householders had reported their phone out of order the day before.

Among many questions unanswered is: who were the *bogus Post Office men?* And why did the police take three months to complete even a preliminary inquiry?

According to the wags, there is nothing unusual about the police taking three months over an investigation. But who ever heard of the Post Office fixing a fault within 24 hours?

Three-D banking

New technology has come to the National Geographic Magazine, world famous for its photography, in the form of the world's first front cover made by laser colour photography.

An aggressive American eagle, wings spread, appears about to fly out of a silver panel on the cover of the magazine's March issue.

The eagle is the trademark of a company which has made it all possible. The American Bank Note Company, a subsidiary of the International Bank Note Company, has spent two years and millions of dollars *developing the process. It has* a serious purpose — to make documents more secure with "three-D" holograms built into them.

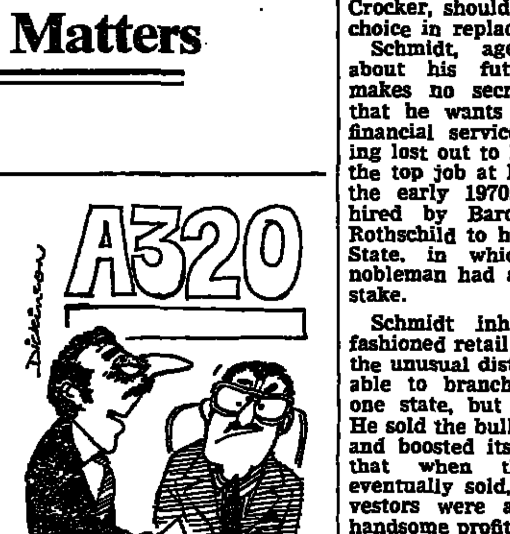
The iridescent image is imprinted in a foil sheet by a colour photographic process which first involves sculpting the subject in wax.

So complex and costly is the process to produce a clear image that the inventors believe *it is beyond the resources of* even the most richly endowed forgers. Mind you, the experts said that about conventional bank note printing and were proved wrong.

American Bank Note Company is selling the foil to its British subsidiary, Bradbury Wilkinson, the security printers, for a holograph on its new cheque card which is to be issued by the clearing banks *later this year.*

Nothing quite as striking as an eagle will fly out of the new bank cards. Instead they will have three different images on a foil strip, which will appear and disappear as the card is viewed at various angles.

The poorer nations are often the first to support new ideas in banknote security. Bradbury Wilkinson is wondering how long it will be before one orders a hologram of its president.



"Now the British say they can fund the wings as soon as they get their EEC rebate"

Bank round

Chauncey Schmidt's decision to resign as chairman and chief executive of BanCal Tri-State, as soon as Mitsubishi completes the takeover of the 120-year-old Californian banking group, should not have gone unnoticed either in the UK or Europe.

There are at least two top posts at the U.S. affiliates of European banks which have to *be filled—and Schmidt could be* a candidate for either. The six owners of the New York-based European American Bank have been looking around for several months for a new chief executive following Harry Ekblom's decision to take early retirement. And Midland Bank is anxious that its U.S. affiliate, Crocker, should make the right choice in replacing John Place.

Schmidt, aged 52, is coy about his future plans but makes no secret of the fact that he wants to stay in the financial services arena. Having lost out to Bob Abboud for the top job at First Chicago in the early 1970s, Schmidt was hired by Baron Edmond de Rothschild to head BanCal Tri-State, in which the French nobleman had a near one-third stake.

Schmidt inherited an old-fashioned retail bank which had the unusual distinction of being able to branch in more than one state, but not much else. He sold the bulk of its branches and boosted its profitability so that when the bank was eventually sold, the French investors were able to show a handsome profit on their shares.

While the $4bn BanCal Tri-State is much smaller than Crocker, which is also based in San Francisco, it has had to cope with the same sort of problems in adjusting to the changing California banking market.

Schmidt refuses to say whether he is a candidate for the top job at Crocker. "I do not really have any thoughts," he says. "I am awfully close to those guys at Crocker. They are my friends both socially and professionally."

Friends believe he is in the running, however—and a possible contender, too, for the European American post. That bank's profits have been under *pressure for some time, and its* shareholders (which include Midland) have not made up their minds on the direction the bank should follow, especially since most of them now have their own New York operations.

Little faith

Two signs spotted in the rear window of a car in Leeds: "Put Your Trust in the Lord" — and below it: "This Car Is Protected By Krooklok."

Observer

GHANA'S RECOVERY PROGRAMME

The economics of desperation

By Quentin Peel, Africa Editor

IT WAS the end of a long day on the dusty, pot-holed roads of Ghana's forest region when Mr Tom Clausen, president of the World Bank, finally came face to face with the chairman of the Ghana Cocoa Marketing Board. Perhaps that was why he was blunt.

"Why has the Ghana cocoa farmer lost interest?" he wanted to know. "Why does he get paid less than one-third of the world market price for his crop? And why does the Cocoa Marketing Board have to employ 90,000 people to do its job?"

It was the first time in two days of formal visits, with Mr Clausen being feted with all the ceremony due to a head of state, that some of the real issues behind Ghana's economic collapse began to be aired. And it gave Mr Clausen a chance to preach his gospel.

"If you gave the farmer a fair price for his cocoa, and removed all the subsidies the marketing board is supposed to provide, it would make for a more efficient system," he declared. "What he needs is some incentive."

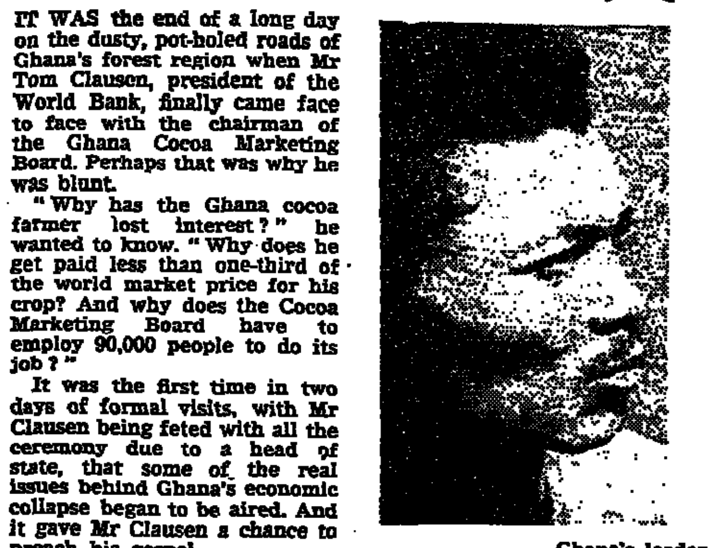
The slump in Ghana's cocoa production — once the highest in the world at around 500,000 tons, but this year likely to be less than 150,000 tons, lower than the Ivory Coast, Brazil and even possibly Nigeria — has been a key factor in the country's current economic plight.

Gradually, however, the World Bank's message is starting to be heeded.

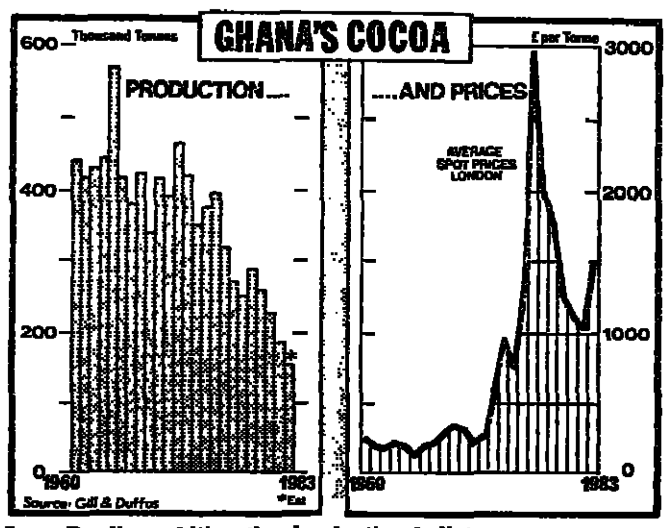
Two years after a revolution which brought Flt-Lt Jerry Rawlings back to power on a platform of cleansing corruption, redistributing wealth, and promoting grass roots democracy, Ghana has turned to the Bank and the International Monetary Fund for assistance.

The move marks a considerable turnround, because members of the new regime had initially condemned those very institutions as the tools of Western capitalism, and rejected their proposals for a return to economic stability.

Ghana today has embarked on a classic IMF-World Bank-backed austerity programme, involving a massive devaluation of the Cedi, reduction of the budget deficit, increases in producer prices paid to farmers, and reorganisation of the public sector. It is likely to provide an important test case for Africa, and for the Bank itself.



Ghana's leader Jerry Rawlings: biting the devaluation bullet



The two key figures in the Rawlings government's economic team are Dr Kwesi Botchwey, the Secretary for Finance, and Dr Joe Abbey, the Secretary for Trade. It was their analysis of the sheer desperation of the economic position that brought them to the conclusion that devaluation was inevitable.

Ghana began independence in 1957 as the pride of British colonies in Africa. Yet the seeds of its subsequent economic decline were already sown in the 1960s: the rapid growth of an inefficient public sector; promotion of a largely import-dependent high-cost manufacturing industry; and stagnation of cocoa producer prices.

By the time the Rawlings government came to power in December 1981, huge government deficits were running at 10 to 12 per cent of GDP and inflation was rampant. As a result, the Cedi had become hopelessly overvalued (by 816 per cent since 1973, according to one calculation), real wages had fallen some 80 per cent, import volumes by one-third, and export earnings by 52 per cent.

Most of the country's transport infrastructure had collapsed because of the shortage of spare parts. Even the much-reduced cocoa crop could not be evacuated from the growing areas to the docks.

To cap it all, Ghana has been hit in the past two years by a combination of freak external events. Persistent drought has drastically reduced crops in many parts of the country, and there have been devastating bush fires in several of the main cocoa-growing areas. Power supplies have had to be rationed because the level of the Volta Lake is 6 ft below the minimum needed for the hydro-electric station at Akosombo.

The absolute prerequisite for any economic recovery programme in Ghana was devaluation of the Cedi — the one action that previous regimes had been too scared to take for fear of the political backlash. Yet without it, the black market could not be controlled, export industries would remain hopelessly uneconomic, and imports would continue to disappear from the official economy to be hoarded, smuggled, or resold at black market prices.

Flt Lt Rawlings' Provisional National Defence Council finally bit the bullet in April, with a remarkable austerity budget which included a disguised, but hefty, devaluation. Huge surcharges were imposed on imports, and bonuses paid on exports, amounting to a somewhat cumbersome dual exchange rate system.

In return, Ghana would qualify for an IMF standby loan of SDR 238.5m and a compensatory financing facility of SDR 120.5m.

The cocoa producer price was raised by 65 per cent, from C12,000 to C20,000 a ton, petrol prices were doubled, and tariffs raised on a whole range of services.

Since then, the government has further increased petrol prices, cut subsidies, and finally, in October, formalised the devaluation with a unified rate of C30 to the dollar, compared with the old rate of just C2.75.

Some early benefits are already becoming apparent. Government finances have improved greatly because of the devaluation, enabling the Cocoa Marketing Board to survive without its traditional massive subsidies, and increasing customs and excise revenues.

In the markets and on the streets stalls of Accra, more goods are appearing, and prices have begun to drop.

Still worrying, however, is the effect of the drought, which is already pushing up the prices of staple foods well before the traditional lean months of the year. That problem is compounded by the continuing lack of transport. Petrol is in desperately short supply, and queues can last for 24 hours or more.

Prospects for cocoa, which accounts for 60 to 70 per cent of export earnings, are gloomy. The 1982-83 crop totalled 177,000 tons and because of the drought, bushfires, and the continuing alienation of the cocoa farmers, some forecasts are for a further drop of 30 or even 40 per cent in 1983-84.

The problem is that food production is currently far more attractive than cocoa to the farmer. At prevailing prices, one ton of cocoa earns the same as only 200 kilos of maize inside Ghana. Until food prices drop, cocoa will suffer.

The domestic political constraints on economic policy are also considerable. The programme was only undertaken after ferocious debate among the disparate groups supporting the PNDC, and many remain unconvinced of its correctness. The Rawlings government is having to perform a difficult balancing act, presenting itself to Western donors, the Bank and the Fund as suitably pragmatic, while remaining sufficiently revolutionary to satisfy the expectations of its own supporters.

Some of the more radical voices within the regime have already become disaffected, and Rawlings himself spoke out in August against "populist nonsense" and a "militant minority (which) at times pushes the process too fast and takes actions without fully understanding the consequences."

There remain, however, significant differences in emphasis between the World Bank's blueprint for Ghana's recovery, and that of the government itself, principally over the role of the private sector.

An investment code intended to spell out the government attitude is in the course of preparation. According to Dr Botchwey, it will set out areas for compulsory state participation, but will also allow for a degree of managerial independence. Price controls will be relaxed, although not entirely abolished.

On the other hand, the régime still intends eventually to phase out private involvement in retail trade, in favour of the "people's shops" now being set up, and to reduce foreign ownership of retail banks.

The path ahead is long and hard, and the sheer degree of economic dislocation is massive. Pressures are already great for wage rises and food subsidies for urban workers, whose wages cannot feed an average family.

Some Western observers express surprise at the degree to which the World Bank and the IMF have been prepared to back the recovery programme, given the political uncertainty. But in the words of one World Bank official: "We don't care a damn what sort of régime they are, provided they use their resources efficiently. They are trying to do so, and that is why we feel we have a commitment."

UK Enterprise Zones

Facts, fantasies and lost opportunities

By Peter Hall

ENTERPRISE ZONES sound irresistible. Who, in recession-ridden 1984, could be against enterprise? Even the most committed socialist defender of his municipal people's republic would have to utter a small cheer. So Geoffrey Howe's brand name deserves a creative media award. The question now, over two and a half years after the first zone started operation —at Swansea, on June 11 1981— must be whether it deserves anything more substantial than that.

The way to start answering that question is a simple-minded one. Do enterprise zones foster enterprise? Do they help create new firms that did not exist before, generating new jobs for workers who did not have jobs before? And—a slightly less simple-minded point—at what cost are these jobs created?

After all, any government can create some jobs if it flings enough money at the problem. Precisely the argument of this and the previous Thatcher Government is that previous job-creating strategies—notably regional policies, which have been sharply cut back over the last four years—have not been cost-effective. The question is whether enterprise zones are in any way different.

Before answering that head-on, we should remember what the zones are—and what they are not. This, like the name, is something of a triumph of public relations. Most people still think of EZs as mini-Hong Kongs, where the writ of bureaucratic officialdom does not run and where virile free enterprise is left untrammelled. The reality is somewhat different.

True, the zones enjoy a simplified planning regime — meaning that a developer can get automatic planning permission so long as he satisfies a few minimal conditions. But this freedom is qualified — and other controls, as on health and safety, remain.

What makes the zones distinctly different is not the lack of controls, but a set of very hard-nosed financial inducements. Most importantly, industrial and commercial property gets complete freedom from local authority rates. Nor does it pay any development land tax within the first 10 years of designation. There are exceptionally generous capital allowances for corporation or income tax. There is no levy to be paid to industrial training boards.

These incentives are strangely reminiscent of the traditional clutch of regional incentives that have operated in the assisted areas ever since 1945. Like them, they are strongly geared towards saving on capital costs—with the new wrinkle that they also help save land costs. They are thus open to the charge—long ago levied against regional aid—that they do nothing specifically to encourage employment of labour. They may actually attract capital—and land-intensive activities like warehousing, rather than labour-intensive manufacturing.

They may also tempt firms to move into the zones in order to get the bonuses while they last, in a zero-sum game whereby the gain in jobs to the EZ equals the loss next door. This is the real danger, and it is clearly the first question to be asked about the zones in operation.

> A charge is that they do nothing specifically to encourage employment

In April last year Roger Tym and Partners, the consultants appointed by government to monitor the progress of the zones, produced the evidence. Their second report—the first to reach a firm conclusion — paints a disturbing picture. Down to May 1982 just under 300 companies had produced some 2,900 jobs.

But only about half the firms, and two-fifths of the jobs, were new. The rest were transfers, and 90 per cent of these had moved locally. The great bulk of the jobs would have been created somewhere, EZ or no EZ—and three-quarters of them would have been created close by, in the same county.

Further, the 3,000 jobs were created at a cost. The report calculates that in the financial year 1981-82 the Government had to pay local authorities over £5m for lost rates. And all but £0.5m of this went to firms already existing in the zones, which simply got an unasked-for windfall gain.

On top of all this, capital tax allowances may have been as high as £17m, while public authorities spent close on £15m on acquiring and preparing land and another £27m on its development. A total bill of up to £64m works out at over £20,000 a job — certainly a long way from the free government lunch that, in the mythical view, the enterprise zones represent.

It may nevertheless be worthwhile — if the returns, in the shape of savings in unemployment pay and supplementary benefits, eventually outweigh the cost. But, on the evidence so far, that seems unlikely. Meanwhile, despite the consultants' lack of enthusiasm, the government has designated 13 more zones.

Could it have done anything more? One thing it could have done was to stick with the original notion of the enterprise zone, canvassed both by Sir Geoffrey Howe and myself in 1977 and 1978: a radically different kind of regime, outside the scope of UK customs or legislation, with free movement of labour and capital: a genuine mini Hong Kong in some derelict corner of the London or Liverpool docklands, representing an experimental alternative to the mainstream British economy.

There might be a second chance. Everyone hopes, for Hong Kong's and the Hong Kongers' sake, that the cliff-hanging talks with China will result in mutually acceptable agreement. But if the result looks unappealing, there will be a mass exodus of labour and capital almost unparallelled in history. If so, humanity as well as self-interest would suggest that we revive the original idea. A new Hong Kong on the Becton Marshes, or the Liverpool waterfront, could be an exciting vision — even if it might mean slight modification of the government's immigration policies.

The author is Professor of Geography at Reading University and was a member of the South East Economic Planning Council from 1966-1979.

Letters to the Editor

Engineering training

From Dr M. Cross

Sir,—We are currently hearing calls from a number of prominent engineering companies for the abolition of the engineering industry training board (EITB) (February 10 and 16). These calls need to be put into the context of the skill formation process. The development of skilled people is made-up of four main components: general manual and mental skills and knowledge, and specific manual and mental skills and knowledge acquired via on-the-job and off-the-job education and training. It is generally assumed that the future job requirements of engineering craftsmen will demand increased mental and specific skills and knowledge. In turn, it is assumed that this increases the significance of employer (as opposed to community) based training.

Now, I think you will find Ford and its fellow engineering company colleagues, and the staff of the EITB agreeing with most of the above. Where lies the EITB abolitionists' argument then?

Surely what is at issue here is the external definition of occupations based upon the completion of a training (and education) programme which does not match the needs of employers. The definition of an engineering craftsman rests not in what he does, but upon what skills and knowledge he has acquired during his apprenticeship. The EITB can do little to change this situation other than by further developing its role as a training programme originator and validator, and leave all job describing to employers. Hence, both parties, EITB and employers, need to introduce changes in the way they train and use engineering craftsmen.

It would therefore seem reasonable to suggest that the EITB and the "EITB abolitionists" should be able to join forces and meet their common goal of a better, and more appropriately trained and utilised engineering craftsman.

(Dr) Michael Cross.
Technical Change Centre,
114, Cromwell Road, SW7.

From the Assistant Secretary, Technical, Administrative and Supervisory Section, Amalgamated Union of Engineering Workers

Sir,—At a time when you and other intelligent analysts are calling for more training (especially "real" training for future technologies) your report (February 16) of certain engineering employers seeking to wind up the engineering industry training board makes depressing reading for anyone who has Britain's competitive position at heart.

The tripartite EITB was set up under a Conservative Government to improve training both quantitatively and qualitatively. No-one can deny that the EITB has succeeded in its aims, despite cuts in its budgets. Had it not been for EITB interventions, the skill shortages you yourself have often reported would be catastrophic, as indeed they will be if and when an upturn ever comes.

The employers you list are saying "leave it to us." Leaving training to employers in the past has meant that many employers do not train at all, and that those employers who do train, often—however reluctantly—select training as the first activity to chop when money gets tight. It also means lower training standards, fewer trainees, narrower training syllabi, training for the short-term rather than for future technologies, less cross-fertilisation and up-dating in training methods, and no public interest in-put.

The statement that the EITB directs too many resources into craft training is calculated to mislead. It is certain employers on the EITB who continuously demand concentration upon craft training and oppose the maintenance and expansion of programmes for engineers, technologists, computer personnel, instructors and women in technical areas. It is the trade unionists and the independents on the Board who support these wider programmes.

One can only hope that the voices you report are just part of the in-fighting within management circles and that less narrow-minded, less short-sighted minds will prevail.

J. E. Tuchfeld.
Onslow Hall,
Little Green,
Richmond, Surrey.

Controlling the workforce

From Dr F. Green

Sir, — In all the hullabaloo over non-portable pensions, I wonder whether readers have ever thought why the system now existing was allowed to grow and remain for such a long time? It is not as if it were a recently discovered problem. The Government-appointed Phillips Committee wanted to tackle it in 1955, but shrank back because it feared the political will to do so did not exist. And I have evidence that certain more enlightened managers were aware of the issues as far back as the 1930s.

One of the primary aims of private-sector pension schemes has generally been to tie employees to their companies. They thus served as a means of control of the workforce. The rise of final salary schemes in the 1960s was only partly a response to inflation — they also built in an automatic heavy penalty cost for quitting, which became greater in times of high inflation. No doubt some young employees realised the constraints on them on joining a (usually compulsory) pension scheme, but most did not: hence the indignation of the early leaver who is forced to subsidise the stayer.

That something now might be done to eliminate the problem reflects both the increasing public awareness of how unfair the system is, as well as the present high unemployment which, through its own discipline, reduces employers' needs to control their employees through an artificial remuneration system. There remains only tax avoidance as a rational basis for companies to provide pension schemes.

(Dr) Francis Green.
Kingston Polytechnic,
Penrhyn Road,
Kingston upon Thames, Surrey.

Pensioners' TV licences

From the Chairman, McCarthy & Stone

Sir,—In debates which have been aired recently concerning TV licences for pensioners, one important aspect has been overlooked and that is the effect that changing attitudes and the increasing involvement that the private sector is having in the welfare of pensioners. In the area of concessionary TV licences, these changed circumstances are, in effect, discriminating against those elderly people who are making their own provision for sheltered accommodation and who are relieving the state of its responsibilities in this sector.

The regulations which permit the 5p TV licence were drawn up prior to the development of private owner/occupied sheltered homes, and this has led to anomalies which positively work against many pensioners. In some areas where as many as 25 per cent of the residents of council sheltered housing are former owner occupiers, these residents are claiming the concessionary licence. Where sheltered homes developments are built for owner occupiers and the management handed over to housing associations, the residents are again in many cases eligible for the concessionary licence. It is however, our understanding of the current regulations that, when the management of a sheltered homes development is undertaken by a private estate management company, no such concession applies.

I believe there is a strong case for making a concession to this latter group who have continued to own their own property despite advancing years, greatly reduced incomes and often little or no resources. This group of pensioners is not only relieving the community of the expensive and time consuming task of caring for them, but is also making better use of the housing stock in an area by making additional accommodation available for growing families.

The proposed cost to the Exchequer is small — with around 3,000 units of this type in the country it would be approximately £120,000 per annum — a small amount indeed to ensure equity amongst residents who are predominantly female and aged over 75 years.

J. S. McCarthy.
Queensway House,
Queensway,
New Milton, Hants.

Specialised air services

From the Honorary Secretary, Heathrow Executive Jet Operators' Association

Sir,—British Airways faces worldwide competition and needs to operate at a major international airport with full access to other airline facilities if it is to retain its international role.

British Airports Authority at Heathrow however has been constrained by Government direction and by the Civil Aviation Authority to limit the number of air movements at Heathrow. BAA also says it is instructed by policy to give all priority to scheduled air traffic and only accept non-scheduled traffic on a "fill-up" basis. In fact it has given control of traffic movements at Heathrow to a committee of airline operators on which non-scheduled operators are not represented.

With the exceptional growth of scheduled traffic recently, BAA says it is now on the upper limit of the restrictions placed on it. It should be delighted and welcome such growth!

If British Airways is to stay at the top of the international league it must feed its customers to airfields where they have access to specialised air services, including non-scheduled. It is little trouble for the customer of British Airways (which is a customer of British Airports at Heathrow) to use other airlines and go to alternative capital airports in Europe where such facilities are available.

A. I. Sutherland,
c/o IDS Aircraft,
Building 220,
Northside, Heathrow Airport,
Hounslow, Middlesex.

FINANCIAL TIMES

Wednesday February 22 1984

BRUSSELS SEEKS AGREED APPROACH ON BRITISH PAYMENTS

Plan to end UK budget wrangle

BY JOHN WYLES IN BRUSSELS

THE EUROPEAN Commission is planning a final bid ahead of next month's Community summit to achieve a permanent solution to Britain's EEC budget problem with a proposal which is bound to put the UK in considerable difficulty.

Having taken soundings at last weekend's informal meeting of foreign ministers just outside Paris, the Commission feels sufficiently encouraged to develop a plan which falls well short of British wishes but which might gather enough support to leave the UK in isolated opposition.

But this is not the main aim of the plan which the Commission will discuss today. M Gaston Thorn, Commission President wants to mobilise as many governments as possible around an agreed approach, and British plans for a "safety net" mechanism have not won even qualified support from any other member state.

Essentially, the Commission will be proposing a mechanism for measuring the size of Britain's payments problem. It will leave the amount of any reduction in net contributions to be negotiated by the heads of government at the summit in Brussels.

The plan tries to satisfy majority opinion among the Ten by rejecting the British view that the UK's net contribution should be measured as the difference between the amount it pays to the EEC and what it receives back through spending policies.

On this basis, the UK's net contribution in 1982 was Ecu 2.04bn ($1.72bn). Last year's total is thought to have been slightly below Ecu 2bn although no official figures are yet available. The Commission will argue instead that the figure to be corrected in 1982 would have been Ecu 1.785bn. This is the difference between Britain's share of so-called VAT contributions to the budget and its share of receipts.

This approach is said to be more "community minded" because it excludes from consideration the customs duties and agricultural levies that each member state automatically passes to Brussels as an EEC "own resource." The VAT payment – based on an EEC entitlement to up to 1 per cent of the volume of a common basket of goods and services – was designed as an EEC tax from which, under the proposal, the UK would effectively be given some relief.

The plan would require sacrifices for all member states. The UK payments figure it measures for correction would be a basis for negotiation far higher than most other governments would wish. Against the preferences of several governments, it will suggest that the reduction in Britain's net contribution should be achieved by lowering the amount London transfers to Brussels, rather than by boosting EEC spending in the UK.

In addition, the proposal will be aimed specifically at the British problem and is likely to ignore West Germany's demand for some limit on its net payments to Brussels.

As well as arguing that it does not measure the "true size" of the problem, the UK will claim that the VAT payment is too erratic and influenced by currency movements. For example, while the difference between actual net payments and the expenditure-VAT gap in 1982 was Ecu 251m, it was Ecu 349m in 1981.

Nevertheless, if the Commission proposal is well judged and if it does gain the support of a majority of other governments, it will be difficult for the UK to reject unless others refuse concessions which would bring the UK's net payments to within the region of Ecu 400m-500m a year mentioned by Mrs Margaret Thatcher, UK Prime Minister, at the abortive summit in Athens.

The British Government still prefers a "safety net" system which puts a limit on the actual net contributions to be based on a member state's relative prosperity. This would spread the burden of financing the EEC across several governments.

U.S. utility writes off $158m on mothballed N-plant

By Paul Taylor in New York

PACIFIC Power and Light, the major U.S. West Coast diversified utility group, yesterday became the first major investor to write off its investment in the mothballed Washington Public Power Supply System (WPPSS) Number 3 nuclear plant.

The company said it will take a $158m after-tax charge against fourth-quarter earnings for its $292m investment in the nuclear plant, which was 75 per cent complete when work on the project was suspended last July.

The utility said its after-tax net loss on the plant is expected to be $199m, but it expects to recover $41m of this through rate increases.

Pacific Power and Light's decision to take the huge write-off reflects its concern to clean up its balance sheet – but it also appears to signal recognition that the WPPSS Number 3 plant, like its Number 4 and 5 plants and Number 1 plant on which work has been suspended indefinitely, may never be completed.

Last year, WPPSS entered the history books by defaulting on $2.25bn in municipal bonds issued to build plants 4 and 5. At the same time, the Bonneville Power Administration, which together with four public utilities was building the Number 3 plant, suspended work on the project because of huge cost over-runs and failure to secure an additional $1bn in financing to complete the $4.9bn plant.

Since then, the four public utilities, including Pacific Power and Light, which has a 10 per cent interest in the project, have sued unsuccessfully so far first to force completion of the plant and then to extricate themselves from the project and recover their investment.

Pacific Power and Light said that as a result of its decision the $158m fourth-quarter charge, which was partially offset by an estimated $20m non-recurring accounting gain, it was reporting a $51.3m, or $1.10 a share, net loss for the latest quarter compared with net income of $51.3m, or 75 cents, in the corresponding 1982 quarter.

The company said the fourth-quarter write-off reflected its "best judgment" that the project was not going to proceed, and added that it was now pressing to end any future involvement with the plant and thereby eliminate any future funding obligations.

Mr Don Frisbee, chairman, said: "Unit 3 has grown increasingly risky as a result of last summer's construction halt. Given Pacific's specific needs and its resource alternatives, the plant no longer appears to be a viable choice for meeting future load growth."

The action also substantially ends the company's remaining investments in unfinished nuclear projects in the Pacific north-east.

THE LEX COLUMN

A big bang and a big board

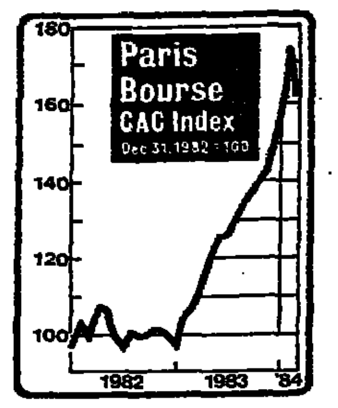
The word "capacity" was conspicuously absent from yesterday's stock exchange release on commissions. In practice, however, the statement was neither more nor less than a requiem to the tradition of single capacity on the London market. The council has evidently concluded that the present market structure would not long survive a move to negotiated commissions. So, in addition to the big bang on commissions, members will now witness the explosion of trading practices.

The stock exchange's decision to plunge the two detonators simultaneously was perhaps only common sense. All the recent deals involving London market-makers have foreshadowed the development of financial groups which offer a full securities trading service – from the making of prices to final distribution – under one roof. And no one needed reminding yesterday that the council had argued the untenability of dual capacity in a free commission environment during the dark old days when it was before the Restrictive Practices Court.

None the less, the fact that a consensus has emerged from a council comprising such varied interest groups is in itself encouraging. The exchange has sensibly turned its back on a staged withdrawal of fixed commissions – which would have been unworkable as well as confusing – and has imposed a deadline for the planned changes which will place considerable demands on both member firms and the central market.

Set against the strategic decision on the commission structure, the announcement that gilt-edged rates will be cut early in April looks an awkward compromise patched together for the benefit of the leading institutions. There is certainly an argument for saying that certain gilt-edged commissions are too high in relation to equities but now is hardly the time to upset the arithmetic of soft commissions and to weaken the position of those gilt-edged firms which already look most vulnerable.

The argument for having the new structure in place by next autumn is a strong one. It cannot now be in the interests of members themselves to wait longer than is absolutely necessary. Quite apart from the likelihood that the commission structure will erode as D-Day approaches, the central market is already under attack from foreign market-makers, and a protracted interregnum would confuse still further the present negotiations between members and outsiders.



Yet it is difficult to imagine how the necessary structure could be put in place much more quickly. The exchange will need to develop an exposed market centred on an electronic system for communicating last-dealt prices. Members, too, will have to invest heavily in hardware and, before those budget decisions can be taken, the future market structure must be clearer in its detail.

Very few brokers, for example, already boast any in-house market-making capability and many may opt to shun the role of principal, or at the most to offer a selective matching service to clients. The firms which have already established links may be in a stronger position to take confident decisions on recruitment, market positioning and investment. But, for all concerned, the recent bull market could not have been better timed.

France

The UK authorities are not alone in seeing the advantages of being able to raise money by selling equities as well as bonds. Ironically enough, the same stratagem seems to be the current vogue in M Mitterrand's France, though without any embarrassing ideological implications about returning recently nationalised assets to the private sector. In the last few weeks there have been weighty offerings – in the form of participating certificates – from a nationalised Indosuez bank, and a major industrial corporation, Saint-Gobain. Now it appears that Elf Aquitaine, in which the state holds 66 per cent of the shares, is planning a straightforward FFr 1.5bn rights issue.

Since the Government seems certain to take up its allocation, there is no movement in the line between public and private sectors, but by the same token the net amount of money siphoned off the Bourse, FFr 500m, is unlikely to flatten the equity market. Moreover at recent active levels of turnover, the issue is probably equivalent to only a couple of day's trading in the forward market.

Elf's rights issue should in any event prove attractive. In the illiquid Paris market, any large offering of stock is capable of drawing in funds from outside the equity market simply because it is likely to prove exceptionally dealable. Elf is in itself coming back to favour – partly on the basis of better conditions in refining – and the shares now have the useful sales tag of having been too cheap for too long.

The market as a whole is no longer desperately cheap – after its recent slight relapse, it remains more than 60 per cent higher than at the beginning of last year. Yet there is probably a certain amount of propellant left in the tank, particularly as steep premium levels keep French funds effectively onshore.

Indicators

Yesterday's cyclical indicators managed to foreshadow several more months of strong growth for the economy, despite a weak housing starts figure for December. Future adjustments may yet cut back on January's jump in the longer leading indicator and monthly comparisons are always liable to mislead; but at least the signal looks to be pointing unambiguously enough in the same direction as the Treasury's own optimistic forecast for 1984.

The latest revision of the four composite indices, though, still shows the longer leading indicator wavering a little, which might suggest a third quarter peak. It also confirms again that the present upturn arrived in May, 1981 as the CSO has believed for some while. That would mean the cycle is now well advanced on past showing – but perhaps the depth of the recession and the snail's pace of the early recovery will be matched now by a more gradual approach to the peak.

EEC avoids row over corn gluten feed

BY PAUL CHEESERIGHT IN BRUSSELS

FOREIGN MINISTERS of the European Community yesterday backed away from a dangerous confrontation with the U.S. by dropping suggestions of withdrawing tariff concessions on cereal substitutes.

At the same time they made a declaration, which will be sent to Washington, expressing alarm about the build-up of protectionist pressure in the U.S., while seeking to bolster the freer trading elements in the Reagan Administration.

A proposal from the European Commission that the EEC should start proceedings under Article 28 of the General Agreement on Tariffs and Trade (Gatt) to stabilise imports of maize byproducts like corn gluten feed was pushed aside.

Recourse to Gatt has been postponed in favour of continued informal talks with the U.S. on stabilising corn gluten imports, which doubled to 3.4m tonnes between 1981-82 and 1982-83.

During these talks the Commission has been told to stress that the EEC is intent on reforming the Common Agricultural Policy. Most countries accept that the corn gluten issue, of vital importance to U.S. farmers, cannot be seen in isolation from the need to change the EEC's milk and cereals policies.

The informal talks approach was favoured by all foreign ministers yesterday, except those of France and Ireland.

Any decision to go to Gatt would have been provocative, it was felt, if the EEC at the same time wanted to remind the U.S. of its commitment to last year's Williamsburg declaration. This contained a pledge by the leading industrialised nations to "halt protectionism and, as recovery proceeds, to reverse it by dismantling trade barriers."

While acknowledging that the Reagan Administration had taken a firm stand on a number of protectionist issues, such as the proposal for a global limitation to 15 per cent of the market on steel imports, the foreign ministers issued a warning.

"The Council's view is that the present difficulties in certain sectors of the U.S. economy cannot be resolved by protectionist measures... such measures could lead to a dangerous increase in trade restrictions and to a rapid erosion of the open multilateral trading system," the ministers declared.

They cited particularly the possibility of restrictions arising from petitions for import safeguards from the footwear and steel industries and the opening of anti-dumping and countervailing duty cases against EEC wine.

The Reagan Administration must soon decide on what action to take following a petition from the U.S. machine tool industry for protection.

EEC exports which in one fashion or another are subject to pressure for restraint are worth about $4.7bn a year.

● The European Commission yesterday ran into legal difficulty over the past administration of the EEC's emergency steel controls.

The European Court of Justice yesterday upheld an appeal by Thyssen, the West German steel group, and the member companies which make up Walzstahl-Vereinigung of Düsseldorf.

This appeal contested the right of the Commission to give special treatment in granting steel production quotas during the second and third quarters of 1982 to specialised companies making a single product like wire rod, reinforcing bars and merchant bars.

The court made the point that the Commission had not gone through the procedures specified for making certain companies a special case, like consulting a committee embracing all sections of the steel industry and obtaining an opinion from the Council of Ministers.

The Commission yesterday shrugged off the judgment saying that the case related to procedures and that, furthermore, the steel regime had changed since the circumstances which gave rise to the action.

BHP tries to thwart Bell bid

By Michael Thompson-Noel in Sydney

BROKEN HILL Proprietary (BHP), Australia's largest company, has sought a court ruling to thwart Mr Robert Holmes à Court's A$240m (U.S.$226m) offer for 16m BHP shares, representing 4.6 per cent of the capital.

The injunction, issued in the Victorian State Supreme Court, was refused, but Mr Holmes à Court agreed to withhold the offer for 48 hours until the court hearing resumes tomorrow morning.

Despite BHP's firm rejection of Monday's offer, acceptances have already been received for 6m shares. Mr Holmes à Court already controls 8m shares, or 2.3 per cent of the capital, most of which were gained following an offer for BHP's entire capital in August last year.

Bell Resources, the mining and investment arm of Mr Holmes à Court's Bell Group, is offering seven of its shares for four BHP shares, or five shares plus five options for four BHP shares, valuing BHP shares at A$15. BHP retaliated on Monday by announcing a 1-for-5 bonus issue on shares held on April 27 this year.

Mr Brian Loton, BHP's managing director, said BHP shareholders had not received sufficient information about Bell Resources' activities.

"There is a complete lack of information that would enable one to form a judgment as to the market price of Bell Resources," he claimed.

Stock markets, Page 21

Shin-Etsu to set up UK plant

BY MARK MEREDITH IN EDINBURGH

THE SHIN-Etsu Company of Japan, one of the world's top three producers of silicon for the semiconductor industry, yesterday announced a £30m ($43.5m) plan to set up a plant in Scotland.

The plant, at Livingston new town, west of Edinburgh, will make Shin-Etsu the first major company to produce silicon in the UK for the fast growing integrated circuit market.

Scotland has Europe's largest concentration of semiconductor manufacturing with Motorola, National Semiconductor, General Instrument, NEC, Hughes Microelectronics and Burr Brown plants.

UK producers currently import their silicon, the base material for microchips. The West German Wacker Company, Monsanto in the U.S. and Dynamite Nobel in Italy are the main sources of supply for Scottish producers, who expect output of semiconductors to double in the next two or three years.

The announcement from Shin-Etsu Handotai (SEH) also marks the third large-scale Japanese investment in Livingston, where NEC has a semiconductor plant and Mitsubishi assembles television sets and video recorders.

Construction of the new plant is expected to start this year and be in production by 1985. Employment will start at around 80 rising to about 400 in 1989. Representatives of the company said that jobs could rise to 600 by 1991.

Under an agreement signed at the Scottish Development Agency yesterday Shin-Etsu also plans to build research and development facilities at the Scottish plant.

The announcement is another indication of the health of the Scottish electronics industry which, according to SDA figures, now employs 42,500. much of the recent growth has been in industries servicing the established electronics firms.

SCI Systems of Alabama recently announced plans to set up a components plant in Irvine new town in south-west Scotland.

Shin-Etsu has six plants in Japan and others in the U.S. and Malaysia with 2,500 employees worldwide.

Mr Isao Iwashita, director of Shin-Etsu's international division, said the company envisaged production of 100m slices of silicon per year by the end of this year using temporary accommodation while the new plant is under construction.

Big win for Mondale

Continued from Page 1

Mr Mondale told cheering supporters that they had launched him towards victory. "Tonight is the beginning of the end of the Reagan Administration," he claimed.

Mr Mondale's supporters said they expected the contest to be closer in New Hampshire, where a Washington Post-ABC News poll yesterday gave Mr Mondale 37 per cent of those saying they were sure to vote. Mr Glenn was second with 20 per cent, followed by Mr Hart with 13 per cent and Mr Jackson with 10 per cent. The poll, however, was taken before the Iowa results were known.

The key question yesterday was whether any of the so-called "second-tier candidates," who must now include Mr Glenn, can emerge as convincing challengers to Mr Mondale. Even if Mr Hart repeats his Iowa success in New Hampshire, he will still face serious difficulties in gathering support in the South, where three key primaries (Florida, Georgia and Alabama) are to be held on March 13.

Most political analysts yesterday believed the chances of anyone's catching up with Mr Mondale would now depend on how quickly the race narrows to two contestants, allowing the second-runner a clearer challenge.

Hungary in $150m loan

By Peter Montagnon

FURTHER evidence of Hungary's return to financial health has come with the launch of a $150m bankers acceptance facility, believed to be the first such facility ever for an East European borrower.

Arranged by First Chicago, the facility bears a commission of 1.1 per cent and a front end fee of ½ per cent. Banks are to commit the funds for three years, although under Federal Reserve regulations the initial life of the facility can only be two years. Thereafter it will either be renewed for a further year or transformed into short-term Euromarket advances.

Eurobonds, Page 32

Chrysler taps Euromarkets for $206m

By Peter Montagnon in London

CHRYSLER Financial Corporation, a financing arm of the U.S. Chrysler motor concern, is raising $206.05m through an issue of Euro-commercial paper, believed to be its first new borrowing in the Euromarkets since the company's debt was restructured in 1979.

The paper has an initial maturity of six months and is being sold through European Banking Company which will act as issue and placing agent. Twelve banks are participating in the facility, and it is expected that the borrowing will be renewed when it matures in August.

Euro-commercial paper is a relatively unusual form of international borrowing, although similar marketable loan operations such as revolving underwriting facilities have been growing in popularity recently.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	9	48	Dubrovnik	C	9	48	Malaga	C	17	63	Salzburg	S	4	39
Akrotiri	S	17	63	Faro	S	15	59	Malta	F	16	61	Seoul	C	8	46
Algiers	S	18	64	Florence	S	8	48	Manila	C	32	90	Singapore	C	30	86
Amsterdam	F	6	43	Frankfurt	F	5	41	Miami	C	27	81	Stockholm	C	-1	30
Athens	S	15	59	Funchal	F	17	63	Milan	S	4	39	Strasbourg	C	[illegible]	43
Bahrain	C	22	72	Geneva	[illegible]	[illegible]	[illegible]	Montreal	[illegible]	[illegible]	[illegible]	Sydney	[illegible]	[illegible]	81
Bangkok	C	33	91	Gibraltar	[illegible]	[illegible]	[illegible]	Moscow	[illegible]	[illegible]	[illegible]	Tangier	[illegible]	[illegible]	[illegible]
Barcelona	F	15	59	Guernsey	[illegible]	[illegible]	[illegible]	Munich	[illegible]	[illegible]	[illegible]	Tel Aviv	[illegible]	[illegible]	[illegible]
Beirut	[illegible]	[illegible]	[illegible]	Helsinki	[illegible]	[illegible]	[illegible]	Nairobi	[illegible]	[illegible]	[illegible]	Tenerife	[illegible]	[illegible]	[illegible]
Belgrade	[illegible]	[illegible]	[illegible]	H. Kong	[illegible]	[illegible]	[illegible]	Naples	[illegible]	[illegible]	[illegible]	Tokyo	[illegible]	[illegible]	[illegible]
Berlin	[illegible]	[illegible]	[illegible]	Innsbruck	[illegible]	[illegible]	[illegible]	New Delhi	[illegible]	[illegible]	[illegible]	Toronto	[illegible]	[illegible]	[illegible]
Biarritz	[illegible]	[illegible]	[illegible]	Inverness	[illegible]	[illegible]	[illegible]	New York	[illegible]	[illegible]	[illegible]	Tunis	[illegible]	[illegible]	[illegible]
Birmingham	[illegible]	[illegible]	[illegible]	Istanbul	[illegible]	[illegible]	[illegible]	Nice	[illegible]	[illegible]	[illegible]	Valencia	[illegible]	[illegible]	[illegible]
Blackpool	[illegible]	[illegible]	[illegible]	Jersey	[illegible]	[illegible]	[illegible]	Oporto	[illegible]	[illegible]	[illegible]	Venice	[illegible]	[illegible]	[illegible]
Bordeaux	[illegible]	[illegible]	[illegible]	Jo'burg	[illegible]	[illegible]	[illegible]	Oslo	[illegible]	[illegible]	[illegible]	Vienna	[illegible]	[illegible]	[illegible]
Boulogne	[illegible]	[illegible]	[illegible]	Las Palmas	[illegible]	[illegible]	[illegible]	Paris	[illegible]	[illegible]	[illegible]	Warsaw	[illegible]	[illegible]	[illegible]
Bristol	[illegible]	[illegible]	[illegible]	Lisbon	[illegible]	[illegible]	[illegible]	Peking	[illegible]	[illegible]	[illegible]	Zurich	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	Locarno	[illegible]	[illegible]	[illegible]	Perth	[illegible]	[illegible]	[illegible]				
Budapest	[illegible]	[illegible]	[illegible]	London	[illegible]	[illegible]	[illegible]	Prague	[illegible]	[illegible]	[illegible]				
B. Aires	[illegible]	[illegible]	[illegible]	Luxembourg	[illegible]	[illegible]	[illegible]	Reykjavik	[illegible]	[illegible]	[illegible]				
Cairo	[illegible]	[illegible]	[illegible]	Madrid	[illegible]	[illegible]	[illegible]	Rio de Ja	[illegible]	[illegible]	[illegible]				
Cape Town	[illegible]	[illegible]	[illegible]	Majorca	[illegible]	[illegible]	[illegible]	Rome	[illegible]	[illegible]	[illegible]				
Caracas	[illegible]	[illegible]	[illegible]												
Casablanca	[illegible]	[illegible]	[illegible]												
Copenhagen	[illegible]	[illegible]	[illegible]												
Corfu	[illegible]	[illegible]	[illegible]												
Dublin	[illegible]	[illegible]	[illegible]												

Readings at mid-day yesterday

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

UK yard likely to lose rig contract

BY DOMINIC LAWSON IN LONDON

GOTAVERKEN Arendal, the Swedish shipyard, is likely to win the main contract to build a £125m ($181m) North Sea oil production platform for Sun Oil.

Sun Oil's decision, expected at the end of the month, will be a serious setback for Cammell Laird, the remaining company in the offshore division of British Shipbuilders, and an embarrassment to UK Energy Minister Mr Alick Buchanan-Smith, who has attached great importance to the contract going to a British yard.

Cammell Laird was at one time front runner to win the contract for the platform, for use on the Balmoral oilfield, but it has recently become clear that the yard will be up to five months late in completing an offshore contract for British Gas.

Cammell Laird's acceptability to Sun Oil was further damaged two weeks ago when its workforce of 3,600 rejected the terms of a productivity deal agreed by British Shipbuilders and national union officials.

Sun Oil's Balmoral development agreement with the British Department of Energy calls for 70 per cent British content over the value of the project as a whole. Brokers Scott Goff estimate the total capital cost at £435m.

In order to stay within the terms of that agreement, Sun is likely to place the initial fabrication contract with Gotaverken, but to subcontract the assembly work to UK yards.

The UK company Highland Fabricators is currently in discussion with Gotaverken in Sweden, and appears likely to be involved in the contract.

Last month Mr Alistair Lambie, managing director of Cammell Laird, said the yard's survival depended on obtaining the Sun Oil contract.

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FINANCIAL TIMES

Wednesday February 22 1984

Charter to spin off insurance operations

BY WILLIAM HALL IN NEW YORK

CHARTER Company, the Florida-based oil refining and insurance conglomerate, plans to spin off its insurance and financial services operations, which have been hit recently by the adverse publicity surrounding single premium deferred-annuity sales.

Following the collapse of Baldwin United last year, Charter's life insurance operation had been the biggest issuer of single premium deferred annuities, a form of tax-deferred savings. But industry concern over the sale of the policies hit sales, which fell from $5m a week last autumn to $1.5m currently. This matches redemptions, which are running at about the same rate.

Charter's cash flow has been under pressure for other reasons, too. Its cyclical refining and marketing operations are suffering from low demand and intense price competition for residual fuel and gasoline.

In January the company's New York insurance subsidiary paid a $100,000 fine for violating state laws governing insurers' investment practices. Moody's, the credit rating agency, lowered the ratings on its debt in January but said that the life insurance operations were "profitable and financially sound."

Mr Raymond Mason, Charter's chief executive, said yesterday that the spin-off is designed to allow investors, regulators and annuity policyholders to view Charter's insurance operations separately from its oil businesses.

The spin-off, which should be made by the end of the first quarter, will be accomplished on a tax-free basis to existing Charter shareholders through a dividend of the stock of Charter Financial Company, which will own Charter's insurance and financial operations. Shareholders will receive one share of Charter Financial stock for every share of Charter company stock which they own.

Charter intends to sell those assets that are not necessary to the insurance or oil business. This is expected to raise $100m.

Charter Oil would receive up to $129m of securities in Charter Financial, which it will sell, using the proceeds in its oil business. Mr Mason will be chairman and chief executive of both Charter Oil and Charter Financial.

Charter yesterday reported fourth quarter net income of $14.9m against $6.2m a year earlier. However, the figures were complicated by several extraordinary items. For the full year, net income totalled $61.7m or $2.35 per share compared with $35.3m or $1.04 in 1982.

German companies fined for price fixing

BY LESLIE COLITT IN BERLIN

THE West German Cartel Office has fined 16 companies which install insulation materials a total of DM 6.7m ($2.5m) for price and quota fixing agreements.

The companies and their executives were fined for dividing up orders according to fixed quotas over several years. The company selected to get the order gave the lowest bid and all the others were obliged to bid higher, according to the Cartel Office. Four of the companies – leaders in the West German insulation industry – were fined DM 5.3m and the 12 others the remaining sum.

The Cartel Office expressed dismay at a ruling of the highest West German fiscal court in Munich which allowed fines levied for business and occupational reasons to be deducted from taxes.

Last September, the Cartel Office ordered 77 German building companies to pay DM 55m in fines for price collusion on large public works projects. A spokesman for the office said it would have ordered much higher fines if it had not taken into consideration the existing law which forbade deducting fines from taxes.

The legal ruling is also being interpreted as giving West Germans grounds for deducting traffic tickets from their income tax, if they can prove they parked illegally or exceeded the speed limit for occupational reasons.

The fiscal court's tax ruling was made in the case of Colgate-Palmolive's subsidiary in Hamburg, which was fined DM 10,000 for violating competition regulations by distributing samples free of charge in the early 1970s.

State funds help Semperit cut losses

By Patrick Blum in Vienna

SEMPERIT, Austria's tyre manufacturer, is showing signs of recovery thanks to an unexpectedly good year in 1983, and government approval of a Sch 1.2bn ($63m) line of credit for modernising production.

The group is still in the red but operating losses, which amounted to Sch 659m in 1982, have been reduced by almost half. In 1982 the Government had to provide Sch 600m in subsidies to keep the company afloat; last year this aid was cut to Sch 250m.

The improvement is attributed to better sales and the impact of rationalisation. Since 1981, 2,000 jobs have gone, including 1,200 at the tyre making division in Traiskirchen.

Traiskirchen will be fully modernised by 1986 at a total cost of Sch 1.4bn. Up to another 1,000 jobs may be cut by the end of 1986.

Improvement at Borregaard

By Fay Gjester in Oslo

BORREGAARD, the Norwegian industrial group with interests in forest products, chemicals, metals and foodstuffs, reports profits before tax and end-year adjustments of Nkr 112.3m ($14.6m) including extraordinary items totalling Nkr 14.4m.

That is Nkr 81.1m more than in 1982 and Nkr 32.3m better than Borregaard's most recent forecast.

Continued recovery for Deere in quarter

By Terry Dodsworth in New York

DEERE and Company, the U.S. farm equipment and industrial machinery group, continued its recovery in the first quarter, turning a loss of $28.5m in 1983 into a net profit of $2m.

The company had earlier predicted that earnings would be under pressure during the first three months of the 1984 fiscal year, and net income was well down from the $58m achieved in the final quarter of the previous year. But Deere added that it was expecting in future a larger year – to – year increase in output than in the first quarter, while cost reductions would continue to enhance profitability.

The earnings figure, which corresponds to net income per share of 3 cents against a loss of 42 cents a share a year ago, once again benefited from stock profits thrown up by a planned reduction of inventories under the last in, first out (Lifo) system of accounting.

But the gain of $5.4m this year compares with $8.4m in 1983, although Deere also benefited from a further non-recurring gain of $8.1m from a patent settlement.

Sales were up by 3 per cent to $887m, but all of the gain was attributable to an increase in industrial equipment sales, which rose by 39 per cent to $168m. Farm equipment sales slipped by 3 per cent to $719m.

Mr Robert Hanson, chairman, said worldwide output this year was scheduled at around 15 per cent more than actual 1983 output, but added that this would be below the company's current estimate of retail demand as it allowed stocks to run down.

American Motors in profit again

By Our Financial Staff

AMERICAN MOTORS, the U.S. car company in which Renault of France has a controlling interest, returned to profit in the fourth quarter after reporting 14 consecutive quarterly losses.

Earnings were $7.4m or 6 cents a share, against a loss of $25.8m or 50 cents last time. Revenues were well ahead at $1.1bn, against $729.5m. For the year, the group remained in the red despite an increase in revenues from $2.39bn to $3.27bn. The loss was $258.3m or $3.61 a share against $232.2m or $4.23 a share in 1982.

Mr Paul Tippett, chairman, said AMC expected to make a significant profit this year, with sales of between $4bn and $4.2bn. Last year had been a watershed for the company, he said.

The turnround came after nearly $500m of losses between 1980 to the end of 1982. The last profit was reported in the first quarter of 1980, when the company earned $1.3m.

AMC expects 1984 capital spending on new products to be about $250m, against $280m in 1983. The company had many sources for its long range needs including bank credit and the possibility of additional equity offerings.

Cash injection package for Vitatron

By David Dodwell in London

VITATRON, the loss-making Dutch manufacturer of heart pacemakers, has completed negotiation of a Fl 8m ($2.6m) cash injection from Dutch and British investors.

The company's financial advisers, who returned yesterday from the Netherlands where the refinancing deal was finalised, noted: "It's a matter of looking to the future, now. The capital base of the company has been eroded, but losses have been stemmed, and an improving trend is expected to continue."

Mr. Donald Seymour, who heads Vitatron's supervisory board, has revealed that the injection will come from NPM Garantievermogen, a subsidiary of Nederlandse Participatie Maatschappij, existing UK institutional shareholders, Mr A. E. Eikmans and Vitatron's managing director, Mr John Broos.

Late last year, the London-listed Vitatron revealed that it had halved net losses for the first half of 1983 to Fl 2.4m from Fl 4.7m.

BANKERS SUSPECT BID TO CREATE APPETITE FOR FRENCH PAPER

Paris keeps the market waiting

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

AFTER MORE than two years of heavy foreign borrowing, France has dismayed its bankers by becoming coy about approaching the international capital markets just at a time when they are flush with money and eager to lend.

Since the middle of last year, when the trade balance began to improve, French borrowers have been appearing much less frequently on both the bond and credit markets, a trend which has already shown up in borrowing totals.

Last year according to Morgan Guaranty Trust, French borrowers raised only $6.4bn in international bonds and $1.7bn in Eurocredits compared with $8.5bn and $5.7bn respectively in 1982. This year, most bankers believe, total borrowing will be even lower.

An economic justification for this trend is not hard to find. The current account balance of payments deficit fell to FFr 29bn ($3.5bn) last year from FFr 79bn in 1982. This year it is officially forecast to disappear. At the same time, restrictions on other forms of long-term investment such as property and gold have diverted savings to the domestic bond market.

New issues of domestic bonds absorbed FFr 194bn last year compared with FFr 154bn in 1982 as state agencies sought to reduce their foreign exchange risk by borrowing locally instead of abroad.

Yet many bankers in Paris suspect that the Treasury has a more Machiavellian approach. By withholding French names from the international market it is deliberately building up an unsatisfied appetite for their paper. They believe that the authorities already have half an eye on large debt repayments looming over the rest of the decade and want to ensure market receptivity to refinancing at the best possible rates.

"The idea is not so much to borrow but to restructure the debt," says one senior banker. "Last year and the year before the idea was to get the money." Restructuring became an even more fashionable term after the recent $400m floating rate note for Electricité de France, which is designed to repay more expensive debt, but it is a fashion which could easily give rise to wishful thinking among investment bankers as they tax their ingenuity to find ways of creating new deals for their reluctant French customers.

"Bankers are assailing us with offers of jumbo loans to restructure our debts on a concerted basis," says M Michel Camdessus, head of the Treasury, "but we are not going to do it. We will not do it because we do not need to."

M Camdessus agrees that there will be some increase in debt repayments over the next few years, but there is no hump. The improved balance of payments means France can easily cope with its repayment profile.

Besides, the large extra borrowings to finance the development of energy and telecommunications which were a hallmark of the past decade have now stopped. More important still France shrinks from the slightest suggestion that it has borrowed too much and needs to restructure like countries in Latin America.

It is still, however, hard for most banks to calculate France's true debt profile. Only last year and after much taunting by the French press, did the Treasury agree to publish figures for the country's medium and long-term debt. They show that the total rose to $53bn last year from $44.2bn at the end of 1982 and $32.8bn a year earlier. Repayment schedules are still a closely guarded secret.

French international capital market borrowing ($bn)

	Bonds	Credits	Total
1979	2.11	2.96	5.07
1980	2.82	1.75	4.57
1981	3.16	3.91	7.07
1982	8.46	5.70	14.16
1983	6.45	1.71	8.16

Source Morgan Guaranty Trust

M Camdessus will not comment on French commercial bank estimates that interest and capital payments will rise to $13bn next year from $9bn this year, with a further increase to $14bn in 1986.

If true, France would only have a debt service ratio of about 11 per cent next year – well within the normal safety margin.

All this suggests that France is well placed to resist the blandishments of investment bankers waving wads of dollar bills. There may from time to time be restructuring operations by individual state agencies, "but very much at their own initiative," says M Camdessus.

Commercial bankers add that the Treasury still appears very anxious for French borrowers to keep a low profile in the public markets. Where restructuring of maturities and currency diversification are concerned it apparently prefers less visible deals such as swaps and private placements.

Meanwhile, banks remain among the few active borrowers as they seek to match their long-term assets with long-term liabilities. Both Banque Nationale de Paris and Credit Commercial de France have raised floating rate notes this year but these do not count as capital imports and make no difference to the country's net indebtedness.

For the rest, says M Camdessus: "Our borrowers are in less of a hurry. They can pick and choose."

M Jacques Delors, Finance Minister, has already promised that France will begin to reduce its debt by 1986. If that happens, the Euromarkets will lose out on one of their best customers, but few bankers are prepared to vouch for the minister's forecast. Much depends on the trend of France's external accounts and in turn the payments trend depends on how far present austerity policies can be sustained by a government that has lost much popular support.

As Banque Paribas put it in an analysis last month of France's external position: "Making fewer mistakes than the others will no longer suffice. It will be necessary to make a lot fewer."

Firestone earnings up

BY OUR NEW YORK STAFF

Firestone Tire and Rubber, the second largest U.S. tyre company, reported a 17 per cent increase in net profits from $18m or 35 cents a share, to $21m, or 44 cents a share in its first quarter to January.

Despite the overall increase in profits, however, the group's performance was hit by an earnings slump in the U.S., where operating income fell from $24m to $8m, despite a 19 per cent increase in sales.

Firestone said that it was shipping more tyres to the car manufacturers, but that it had incurred higher costs from the rapid expansion of retail operations, and from the expansion of its production rates. Prices had also fallen in the replacement market.

Sales for the quarter rose by 15 per cent from $861m to $993m.

MCA suffers setback

BY OUR FINANCIAL STAFF

MCA, the U.S. records and films group which owns Universal Studios suffered a fall in fourth-quarter earnings from, $39.3m or 82 cents a share to $24.9m or 52 cents, because of lower revenues from the films divisions.

Earnings in the 1982 period had been inflated by the success of Stephen Spielberg's film ET – The Extra Terrestrial, while results from films in the 1983 quarter were "disappointing."

However, results from television programmes improved significantly thanks to the continuing success of TV series and higher syndication revenues.

Full-year net earnings fell from $176.2m or $3.69 a share to $147.2m or $3.06. Sales slipped slightly from $1.59bn to $1.58bn.

ABERCOM

GROUP LIMITED
(Incorporated in the Republic of South Africa)

UNAUDITED INTERIM PROFIT STATEMENT
for the six months ended 31st December 1983

Year ended 30th June 1983 R000's		Six months ended 31st December 1983 R000's	1982 R000's	Per cent change
	CONTINUING OPERATIONS			
208 030	Turnover	103 305	112 118	− 8
14 281	Income before interest payable and taxation	7 682	7 715	
4 723	Interest payable	1 775	2 442	−27
9 558	Income before taxation	5 907	5 273	+12
1 298	Taxation	1 322	1 124	+18
8 260	Income after taxation	4 585	4 149	+10
	DISCONTINUED OPERATIONS			
9 193	Loss before interest payable and taxation	—	2 843	
560	Interest payable	—	155	
9 753	Loss before taxation	—	2 998	
(3 931)	Taxation	—	(1 383)	
5 822	Loss after taxation	—	1 615	
	TOTAL OPERATIONS			
2 438	Income after taxation	4 585	2 534	+81
	SHARES IN ISSUE			
20 706	(averaged 000's)	20 899	20 629	
	EARNINGS PER SHARE			
40 cents	—from continuing operations	22 cents	20 cents	+10
12 cents	—from total operations	22 cents	12 cents	+83
16 cents	DIVIDENDS PER SHARE	6 cents	16 cents	−62

Results

Profit before taxation was up 12% at R5.9 million from R5.3 million on the comparable previous period. After tax earnings of R4.6 million were up 10% and were 81% higher than total earnings at last year's halfway point, due to the absence of losses from discontinued operations in the current financial year. Higher volumes and margins in Abercom Industries contributed strongly to these results. Davidson's performance during the first half improved, but was held back as expected by continuing difficulties in the USA.

Consani, suffering from shortage of work caused by cancellations and delays in major projects was at virtual breakeven for the period.

Outlook

Economic factors are combining to prolong the recession in South Africa, and no relief from current difficult trading conditions is expected until early 1985. Abercom's results for the second half of the current financial year are therefore expected to approximate those of the first.

Given the appearance of more favourable conditions during 1985 however, the group's results are expected to improve further during the next financial year.

Reorganisation

As stated in the latest annual report, the asset restructure and subsequent reorganisation of the group was effectively completed by 30th June 1983. We will, however, continue to segregate the results of continuing operations from those of discontinued ones until the end of the current year for comparative purposes.

Dividend

The board has declared a dividend of 6 cents per share (1982 — 16 cents) in respect of the half year to 31st December 1983. As indicated in the last annual report, dividend cover will tend to increase during future periods.

Capital expenditure commitments

Authorised by the directors and contracted — R1 995 000 (1982 — R8 061 000). Authorised by the directors and not contracted — R300 000 (1982 — R2 902 000).

Dividend declaration

Dividend number 41 has been declared by the board at the rate of 6 cents per share (1982 — 16 cents). Dividends will be payable to shareholders registered on the Johannesburg and London registers on 16th March 1984. Dividend cheques will be posted on or about 10th April 1984, those for shareholders on the London register being drawn at the rate of exchange then in force: non-resident shareholders' tax where applicable, will be deducted. This dividend absorbs R1 289 000.

Peter Herbert
Chairman and Chief Executive

Gerald Buckley
Deputy Chairman

20th February, 1984

Abercom House, Oxford Park
PO Box 782454, Sandton 2146
South Africa

Elliott holds Elders in top gear for the takeover of CUB

BY TERRY POVEY

WHEN ELDERS IXL, the Australian pastoral, trading and finance group, made its A$900m (U.S.$850m) plus bid for the whole of Carlton United Breweries (CUB)—its virtual parent, with 49.4 per cent—in early December—many thought Mr John Elliott, Elders' managing director, might have bitten off more than he could chew.

Today, with 69 per cent of the blue blooded CUB in his pocket, Mr Elliott is confident of the outcome: "There's still a way to go but my staff are personally phoning all of CUB's outstanding shareholders (about 20,000) to get acceptances."

The original offer from Elders remains open until late March, and is six of the pastoral group's shares plus A$12.20 for every 10 CUB shares. In mid-December, Elders supplemented this with an alternative A$3.82 cash offer, and it was through this offer, to be withdrawn on Friday that they got control. Under Australian takeover rules, once a company obtains 90 per cent of another it can compulsorily purchase the outstanding shares.

Mr Elliott feels that he needs all of CUB in order to integrate it as a subsidiary within an expanded Elders, take maximum advantage of the brewers good cash flow, and not have to deal with minority shareholders when it comes to asset disposals and restructuring.

The takeover of CUB, Australia's 14th largest company, with a turnover of A$961m in the year to June 30, by Elders, the 19th largest with a turnover of A$3.7bn creates a group which on a sales basis challenges both Broken Hill Proprietary (BHP), the diversified industrial concern with A$4.6bn a year, and G. J. Coles, the retailer with A$4.7bn, for top place.

For Mr Elliott the coup over CUB comes after 11 years of work building Elders into one of Australia's major diversified groups. He began his current career, after Harvard and six years as a management consultant with McKinsey and Co., with a A$30m stake provided by prominent Australian businessmen and bankers.

He used his stake to purchase 75 per cent of the long-established Tasmanian jam maker, Henry Jones, later Henry Jones (IXL).

Mr John Elliott — Terry Kirk

Throughout the 1970s, the growing Elders crept closer to CUB in terms of related operations. In 1979 the two companies formed a joint hop-growing company, with Mr Elliott and Mr Louis J. Mangan, now managing director of CUB, alternating as chairman. The same year, Elders took over the margarine company, Provincial Trading. In 1980 they bought Barrett Burston, the large malt company.

It was from the Barrett Burston stable that Mr Elliott plucked Sir Ian McLennan, as a like-minded aggressive chairman to head the Elders board.

It was also in 1980 that CUB bought a 30 per cent stake in Henry Jones (IXL).

Then, early in 1981, Mr Robert Holmes à Court's Bell Group made a play for Elders-GM, the Adelaide based pastoral and industrial group. CUB, which had a minority stake in Elders, fought with Bell for control for several months.

Although the battle ended with victory for CUB the brewers shrank from a full takeover of the pastoral group and instead gave their blessing to a merger between it and Henry Jones IXL. Mr Elliott became managing director of the resulting Elders IXL.

Mr Elliott spent two years reorganising and honing Elders to give it a tight structure. All assets were reviewed for earnings potential, targets were set centrally, and executives left to fulfil them.

When at the beginning of December, Mr Ron Brierley, who runs a substantial investment operation in both Australia and his native New Zealand, made a bid through IEL for up to 40 per cent of CUB the message was clear to Mr Elliott.

"Brierley was threatening to become part master of both CUB and Elders and he was getting us cheap." The response from CUB was to advise rejection in carefully measured tones; the response from Elders was to contact international banks and "in 48 hours stitch together a credit line of over A$700m."

On Sunday, December 4, an emergency meeting of the Elders board was held. Of the 18 board members six also serve on the CUB board. When Mr Elliott told the meeting of his plans for a takeover of CUB to answer Ron Brierley's raid, the representatives of the brewer were dumbfounded.

By the end of trading the following Tuesday, Elders had around 20 per cent of CUB and as the CUB board were trying to race out preliminary figures to form the basis of a defence against the bid, Elders bought on the market at around A$3.55 per share. At the end of that week the alternative cash offer was made. By December 12 control had been won.

The mystery buyer that has been building up a stake in CUB over the past few months turns out to be Straits Trading, the major Singapore trading company. Straits is an associate of the Oversea-Chinese Banking Corporation and it is associates of OCBC which now control around 10 per cent of CUB.

According to Mr Elliott this grouping will accept his bid—although it is not clear whether they seek cash or a stake in Elders. For tax reasons both OCBC and a number of other holders of CUB shares may wish to hang on to their shares until later in the year—up to perhaps October.

In order to turn round the enlarged group's gearing, Elders this month has started raising what could end up as A$500m from a mixture of rights issues, options and convertible notes. In Europe recently, Mr Elliott told bankers that he would be seeking A$150m through a private convertible note, and this month the company has floated 20m shares at A$4.20 each plus 10m options to buy fully paid shares at A$4.40 each. In April as much as 55m more shares may be floated at A$4.40 each.

On top of this comes the sale of assets. Here it is the Elders food division which is the centre of attention. Mr Elliott is aiming for A$250m from asset disposals—the first A$50m of which has already come from the sale of General Jones. The plan is to sell majority interest in the margarine and general products companies—in which a 15 per cent stake has been taken recently by New Zealand food major Goodmans.

In addition, Elders is probably planning some asset sales from within CUB—once they have got total control—and the brewer's hotel interests look likely to head the disposal list here.

Mr Elliott has said: "The enlarged group's gearing will be back to one-to-one by 1985." This timetable, however, may be upset by delay in the CUB takeover.

So far as CUB is concerned, Mr Elliott clearly thinks that its beer operation is a well run one—the company has almost half the Australian market and is best known for its Fosters brew. His view of the way CUB is run as a company is less sanguine.

A major area of expansion for Elders over the past few years has been its financial operations. Elders Finance is one of the groups most strongly vying for a full banking licence from the Labor government. "We are not sure exactly when we'll hear about a licence, but we should get one in the next two or three months," Mr Elliott says. Pointing out that by a quirk of Australia's banking laws, however, Elders, through Elders Rural Finance, already effectively operates a retail banking system in the farming belt, he sees the granting of a licence as not such a critical issue.

Another area in which the enlarged group will be looking for expansion possibilities is natural resources.

The Elders' managing director has done much to justify his original backers' confidence. He is a tough operator of businesses, who knows how to dispose of the poorly performing asset: "When I took over at Elders, he says, they were only returning 10 per cent on capital employed, today its 17 per cent." CUB, he estimates, the like figure is currently only 8 or 9 per cent.

First half profits soar

ELDERS IXL yesterday announced a 25.5 per cent increase in its after tax operating profit from A$29m to A$36.4m (U.S.$34.4m) in the six months ended December 31 1983. Sales, at A$2.4bn, were up 32 per cent from A$1.8bn the previous year. The results do not include CUB, which will be consolidated for the first time in the second half of the 1983-84 financial year.

Earnings per share in the first half rose to 21 cents from 18 cents, and an interim dividend of 12 cents a share will be paid, up from 5 cents. Net income attributable to Elders IXL shareholders was A$33m (up from A$29.3m) after payment of A$706,000 to minority interests and extraordinary losses of A$2.6m representing unrealised foreign exchange losses from investments in overseas subsidiaries.

The company said that the ending of the drought in Australia had contributed to the strong recovery from the rural sector during the period, while the company's financial and international divisions had maintained a strong profit performance.

The building materials, construction and extraction divisions continued to suffer the effects of recession, while the performance of the company's food interests was weakened by the frozen food division, since disposed of.

David Lascelles and **Chris Sherwell** on the stormy relationship of the financial community and the Monetary Authority of Singapore

Banking on Singapore's terms

OVER THE past 18 months, relations between the Monetary Authority of Singapore (MAS) and segments of the foreign banking community have been dogged by a display of mutual disenchantment which has probably done little to enchance the island state's image as a financial centre.

But the affair, which in its most recent manifestation has caused MAS officials to take the unusual step of publicly rebutting two Press articles may at least have made it clear on whose terms the banks do business here.

The MAS — the closest thing Singapore has to a central bank — is headed by Dr Goh Keng Swee, deputy Prime Minister and one of the determined architects of Singapore's economic miracle. Yet the foreign banks dominate the expanding financial sector which is consistently one of the main spurs to the country's growth.

The row has its roots in Singapore's determination to keep tight control of its currency while eschewing foreign exchange controls, and in the MAS policing role, which it fulfils with a strictness not uncommon to the Government of this well-ordered state.

It burst into the open with stunning impact in late 1982, when the MAS secured the recall of at least two foreign bank executives and fined several banks in the famous "round tripping" controversy. The banks had booked Singapore dollar deposits to their Hong Kong branches which then re-lent the money back as capital. This, said the MAS, circumvented reserve requirements and violated regulations.

Some banks insisted rather dubiously that the regulations were not clear, and it has since emerged that the "moral rectitude" of one of the executives recalled was questioned for unspecified reasons. Either way it was the most potent demonstration of MAS power since 1980, when Dr Goh took over at the Authority.

In the view of bankers, the deterioration in the climate can be traced back to this changeover, when the managing director and several senior officials were removed and the 450-member staff was cut by one-fifth.

Bankers used to dealing with experienced administrators suddenly found it hard to see senior officials and were unable to get quick decisions.

Newer arrivals may have associated Singapore with the laissez faire ways of other centres like Hong Kong. They clearly underestimated Singapore's determination to impose discipline. "We didn't realise they were *that* serious," admitted a senior official at one of the banks which was fined.

The Monetary Authority of Singapore, the country's nearest equivalent to a central bank, has taken unusual steps to make clear on whose terms the banks in Singapore do business. "Guidance from the top" is the rule. The MAS has antagonised some of the most powerful foreign institutions, but it has not emerged the loser after asserting itself towards the banks. Now it is keen to improve relations. Tax incentives have begun to achieve results, and there are plenty of banks waiting to increase their participation in the island state's expanding financial sector

Dr Goh Keng Swee

The Government and the MAS, for their part, appear not to have communicated effectively, although on the internationalisation of the dollar the Authority insists, probably correctly, that its position was always clear.

Says Mr Ng Kok Song, head of the MAS international department: "The Singapore dollar is a minor currency. We are a small open economy where a stable exchange rate is a key instrument of economic policy. We do not wish to see the Singapore dollar internationalised."

The banks think the Authority has now made its point and they accept it, however, grudgingly. As one U.S. banker puts it: "The MAS is part of the hassle of doing business here. But the big picture still looks good."

The MAS has nevertheless come in for criticism over the way it has handled bankers, particularly the more recent arrivals, some of whom live in mortal fear of being quoted on their views of dealing with the Authority.

This appears to be only partly a product of the general climate of relations with the Singapore bureaucracy. It is also the result of the inexperience of the relatively youthful and depleted staff, at the MAS and of an apparent readiness to see something sinister in some of what the banks do. Dr Goh himself, for example, lays much of the blame for the international debt crisis at their door, and believes firmly in an arm's-length relationship.

In response, Mr Koh Beng Seng, head of the banking department — and, along with Mr Ng Kok Song, one of the two officials bankers most often want to see — accuses some foreign bankers of inexperience. "The newcomer, usually a young executive not a senior banker, finds that it takes much time to master the regulations," he wrote pointedly in a recent letter to a Singapore newspaper.

He added that the MAS had little difficulty in its relations with the big local and international banks, a view they readily confirm. But as one local banker freely admits: "MAS officials are contemporaries of mine. I see them socially." Close contact, in short, is not impossible.

Mr Ng, who is still only 36 and has been with the MAS since 1970, says: "We don't set out to make life difficult for banks here." But he emphasises that times were "luxurious" for banks under the old regime, and they now had to realise they were in Singapore "on our terms" and must respect Singapore's policies.

By one standard, the approach continues to produce successes. The MAS says there are still plenty of banks wanting to come to Singapore or to amplify their presence here. There are now 111 foreign bank branches, 59 representative offices, 57 merchant banks and nine money brokers.

Even last year's tax incentives, aimed at attracting greater loan syndication and fund management business to Singapore, have begun achieving results. The MAS says 15 loan syndications worth S$1.3bn have been made eligible for tax concessions because the bulk of them were handled in Singapore, while three banks have won permission to manage funds out of Singapore and another five applications are being processed.

The next major hurdle is the start-up of the financial futures exchange in May. If this succeeds, Singapore's "guidance from the top" approach will receive a boost. In the meantime it is clear that although the MAS has antagonised a few people, it has not emerged the loser in asserting itself with the banks and is keen to see a better climate.

"We stand ready to see any banker with an urgent problem. Never let it be said that we are not accessible," says Mr Ng.

PIA lifts interim earnings

By Mohammed Aftab in Islamabad

Pakistan International Airlines (PIA), the national flag carrier, has announced net earnings of Rs 346m ($25.6m) for the six months to December 31 1983, 53 per cent higher than for the same six months of 1982-83. The rise is attributed to a larger number of passengers flown. Revenues for 1982-83 were Rs 7.7bn—up 17.4 per cent.

The company has set a target of attaining an operating surplus of Rs 617m for the whole of 1983-84. "The likelihood to achieve it is high in view of the performance in the first six months of the current year," the airline said.

PIA flew 3.4m passengers on its domestic and international routes in 1982-83, with a 67.2 per cent load factor, which was five percentage points better than in 1981-82.

The company has decided to purchase outright five Boeing 737-300 over the next five years—the first will be in service in May 1985. The total cost will be $250m

Report urges tight limit on Australian bank licences

BY MICHAEL THOMPSON-NOEL IN SYDNEY

AUSTRALIA WILL admit fewer foreign banks than previously planned, if Mr Bob Hawke's Labor government adopts the recommendation of the Martin Committee's review of the country's financial system.

Furthermore the maximum share in new banks allowed to be held by foreign interests would be limited to a non-controlling 50 per cent.

As part of a sweeping series of recommendations for the reform of the financial system, the report calls for the removal of all interest rate controls applying to trading and savings banks.

The committee recommends the granting of between four and six new banking licences. It says applications could be made by both domestic and foreign interests, but says the maximum shareholding of any individual or associated group should be limited to 50 per cent. It suggests that proposals involving foreign ownership of up to 30 per cent would be considered, though against a background of government preference for "lower rather than higher levels of foreign ownership."

At present, only two foreign banks, Banque Nationale de Paris and Bank of New Zealand, have branch bank representation in Australia, though more than 100 foreign banks have representative offices. Foreign banks are also associated with about 20 finance companies, and 40 money market companies.

The former Liberal-National Party government, which lost power last March, had been prepared to welcome in "about ten" wholly-owned foreign banks, so the Martin Committee's recommendations mark a distinct scaling down.

The Committee, headed by Mr Vic Martin, chairman of the MLC Assurance Company and a former top banker, was set up to review the Campbell Committee report, which two years ago advised sweeping de-regulation of the Australian financial system.

Except where exemptions apply, the Martin Committee recommends maintenance of the basic threshold limit on individual shareholding of 10 per cent for existing banks, and an increase to 15 per cent in the limit for new banks.

It proposes a one-off "tender" arrangement to cover the granting of new bank licences. Applicants would be required to demonstrate the extent to which they would increase competition in banking and contribute to other government economic and social aims.

It says that "some trade-off between the extent of foreign ownership and control, and the expected benefits, would be accepted."

The Treasurer, Mr Paul Keating, is due to unveil the report in Canberra today.

HK expansion for Peking-backed group

BY ROBERT COTTRELL IN HONG KONG

Mr Wang Guangying, chairman of Hong Kong's Peking-affiliated Ever Bright Industrial Company, expects the company to procure some US$150m of technology and equipment for the People's Republic of China (PRC) in 1984. Ever Bright supplied technology and equipment worth US$48m to China in 1983, after the company was formally set up in August.

Ever Bright has puzzled some Hong Kong analysts by recent large investments in the territory. Last month, it agreed to pay HK$1bn (US$128m) for eight still-to-be-built blocks of flats on Hongkong Island. This month, it took a 15 per cent stake in a consortium which paid HK$380m for a hotel site in Hong Kong's central business district. Such projects seemed ill-matched to Ever Bright's other perceived goal of procuring goods and skills to assist China's modernisation.

Mr Wang said Ever Bright's objective was to carry out "whatever projects are in the interests of China's modernisation." But, he said, the company "must contribute to the stability and prosperity of Hong Kong." China and Hong Kong, he said, "supplement and run parallel to one another." He described Ever Bright's recent property deals as a "shot in the arm" for Hong Kong.

As vice-chairman of the Chinese People's Political Consultative Conference, Mr Wang is one of the most important PRC citizens in Hong Kong. He said yesterday that Ever Bright is not a Chinese government organisation but joked that, if it were, it would be "higher than a Ministry." It is not clear where Ever Bright's capital comes from. Mr Wang says it comes from China, but not from the Chinese government. Analysts expect the Peking-owned Bank of China to help finance Ever Bright's purchase of the blocks of flats.

North American quarterly results

COMBUSTION ENGINEERING

Year	1983 $	1982 $
Revenue	3.09bn	3.57bn
Net profits	†20.4m	183.4m
Net per share	—	5.44

† Loss

HERSHEY FOODS

Fourth quarter	1983 $	1982 $
Revenue	464.2m	417.9m
Net profits	30.27m	23.63m
Net per share	0.97	0.75
Year		
Revenue	1.71bn	1.57bn
Net profits	100.17m	94.17m
Net per share	3.20	3.0

POLAROID

Fourth quarter	1983 $	1982 $
Revenue	391.7m	392.7m
Net profits	25.3m	9.6m
Net per share	0.82	0.31
Year		
Revenue	1.25bn	1.29bn
Net profits	49.7m	23.5m
Net per share	1.61	0.73

SOUTHAM

Fourth quarter	1983 $	1982 $
Revenue	263.7m	218.4m
Net profits	16.25m	11.25m
Net per share	0.84	0.89
Year		
Revenue	898.3m	810.2m
Net profits	41.23m	20.65m
Net per share	3.26	1.64

TAMPAX

Fourth quarter	1983 $	1982 $
Revenue	79.9m	71.7m
Net profits	11.44m	10.78m
Net per share	1.03	0.96
Year		
Revenue	346.4m	287.5m
Net profits	51.07m	43.32m
Net per share	4.59	3.84

TRIBUNE CO

Fourth quarter	1983 $	1982 $
Revenue	438.5m	391m
Net profits	34.03m	50.53m
Net per share	0.85	1.42
Year		
Revenue	1.58bn	1.43bn
Net profits	69.2m	23.9m
Net per share	1.83	0.67

TYMSHARE

Fourth quarter	1983 $	1982 $
Revenue	71.4m	65.3m
Net profits	†1.44m	†2.31m
Net per share	†0.12	†0.19
Year		
Revenue	288.6m	297m
Net profits	†1.58m	8.81m
Net per share	†0.13	0.73

† Loss

UPJOHN CO.

Fourth quarter	1983 $	1982 $
Revenue	505.3m	462.6m
Net profits	33.8m	24.6m
Net per share	1.11	0.82

WASTE MANAGEMENT

Fourth quarter	1983 $	1982 $
Revenue	274.4m	261.8m
Net profits	28.99m	29.16m
Net per share	0.60	0.63

W W GRAINGER

Fourth quarter	1983 $	1982 $
Revenue	232.0m	188.2m
Net profits	15.5m	12.2m
Net per share	1.07	0.85

No dividend again from Showa Denko

By Terry Povey in Tokyo

SHOWA DENKO, a leading Japanese integrated chemical company, has been forced by falling sales and a more than doubled net loss to pass its dividend for the second year running. The unconsolidated net loss totalled Y1.55bn (US$6.6m) for 1983 compared with a loss of Y679m in 1982.

The company, which has paid a dividend in only four years out of the past 10, also saw its sales drop to Y355bn from Y363bn—the lowest since 1978. There was an improvement in the performance of its main division, petrochemicals, but sales by the chemicals and carbon products and inorganic materials division were both down on 1982.

An improvement in Showa Denko's pre-tax position, a loss of Y2.7bn against a loss of Y9.1bn in 1982, was not reflected in the net result due to lower sales of share holdings.

The company believes that the effects of competition from cheapter imported petrochemicals will continue to slacken in 1984 and will help its petrochemicals division return to profit. Overall sales are expected to reach Y40bn with pre-tax profits of Y10bn and net profits of Y4bn. Lower borrowings and lay-offs among the workforce are also forecast, but not return to dividends is promised.

● Toa Nenryo Kogyo, the specialised refining group 25 per cent owned by Esso and 25 per cent by Mobil of the U.S., has reported parent company sales down to Y1,094bn for 1983 from Y1,255bn in 1982 but net profits more than doubled to Y38.1bn from Y16.9bn.

The company says the sharp improvement in profits came from the lower prices paid for crude oil due to its tie-up with the two oil majors, the effects of the high yen given that oil purchases are denominated in dollars, and the impact of a change in accounting procedures.

Toa Nenryo has doubled the dividend total for 1983 to Y25 including a special payment of Y2.5 to mark the company's 45th anniversary.

Ernest Jones lifts profit as remedies show through

A PROGRAMME of objectives aimed at marketing and operating procedures is beginning to have its desired effect at Ernest Jones (Jewellers).

With a reduction in second half losses from £417,000 to £181,000, the company achieved higher taxable profits of £464,000 against £168,000 in the year to October 1, 1983.

While full benefits of the programme have not yet been realised, the directors are encouraged by the results produced to date at both head office and branches and by the record level of sales during the first quarter of the current year.

On the back of this, the directors are able to view the future with confidence, given the continuation of the upturn in the economy.

Full year sales, exclusive of VAT, expanded by £1.23m to £11.18m.

The company is continuing its policy of selective expansion; three new branches are scheduled to open in the current year, and negotiations are in progress for two further branches.

The final dividend is being held at 2.5p net per 10p share for an unchanged total of 3.9p.

Profits were subject to tax of £71,000 (credit £188,000), leaving a net surplus of £393,000 (£356,000). Earnings per share were 3.9p against 3.6p.

Dividends will absorb £237,000 (£137,000), giving a retained profit of £156,000 (£219,000) — certain directors and shareholders have waived dividend entitlements amounting to £153,028 (£252,829).

● comment

Life as a public company for jewellers Ernest Jones has been less than sparkling. In its first full year as a listed company profits shot ahead to £1.6m but then, in common with the rest of the sector, it went into steep decline. Now Jones, like its peers is coming off the bottom. But in the middle of a consumer boom it would have been perverse indeed to produce worse profits. Undoubtedly the best of consumer spending has passed the jewellers by and despite their very true claims that the public has been more concerned with cars, videos and personal computers than jewellery, the jewellers must bear some of the blame for their fortunes because they failed to go out and sell themselves. Most have woken up to this gap in their marketing techniques over the past year and Jones says that its "window work" is showing good results. The first quarter of the current year has produced a record Christmas in sales terms, evidently without cost to margins, and a further recovery is in store even if a return to £1.6m looks a long haul. At 84p the yield is 6.8 per cent and the stated p/e 21. As a family controlled company Jones, unlike James Walker, is unlikely to find the likes of Cecil Gee coming up on the share register.

Second-half recovery at Metal Bulletin

IN THE second half of 1983, Metal Bulletin, publisher of international trade journals and directories, more than made up the ground lost at halfway to finish the year with pre-tax profits ahead from £938,200 to £1.06m, on turnover of £4.88m, against £4.67m. Mid-term figures were £55,200 lower at £225,600.

Trading conditions restricted the growth in turnover, the directors state, but the stringent control of operating costs instituted by them enabled profits from trading activities to grow by more than 15 per cent.

Following the unchanged interim dividend, the final payment is raised to 4.4p (3.8p) net for a total up from 6p to 6.6p per 10p share. Earnings per share improved from 10.57p to 11.55p and net available profits came out at £506,100, compared with £463,000.

The company's shares are traded on the Unlisted Securities Market.

The directors report that as 1984 progresses, a mood of quiet optimism is emerging in circumstances no less challenging, but more exciting, than 1983.

In addition to organic growth, the company's strategy is to advance by two main routes.

The company will continue to launch new publications generated internally and it is also pursuing a policy of low cost acquisition in areas which are identified as having potential for expansion, and are complementary to existing activities.

U.S. start costs hit Aidcom growth

LOSSES in America because of start-up problems and exceptional debits have restricted the profit growth of Aidcom International in the year ended October 31 1983. From turnover almost doubled to £9.04m, against £4.86m, the profit before tax is up from £288,000 to £410,000. The group is involved in market research, microtechnology and design.

The dividend is being raised from 0.6p to 0.8p net per share on the enlarged capital as a mark of the "excellent results" in the UK — profits before tax expanded by £366,000 to £730,000 — and of the directors' confidence in the current year at home and in the U.S.

Losses in America came to £228,000, reflecting start-up costs and delays in recruitment in New York: operations started last October. Although immediate tax relief may not be available in respect of these losses, net earnings per share increased. The start-up losses will be allowed against future profits of the U.S. companies, which are now generating profits.

Exceptional debits were up from £76,000 to £92,000 this time, representing a loss arising from activities and closure of subsidiaries £101,000, less profit on sale £9,000. After tax £152,000 (£100,000) and minorities £30,000 (£9,000), the earnings are given as 1.89p (1.74p). Pre-exceptional items and U.S. losses are 4.16p (2.1p).

The directors report that nearly all the profit growth was organic, with only a small net contribution from subsidiaries acquired during the year. There were "outstanding performances" from MAS Survey Research, Allied International Designers, and DVW Microelectronics (Husky Computers).

Continuing growth is promised for the current year. The research division has started well and will have the benefit of a full contribution from its new telephone research centre in Coventry.

● comment

The cost of Aidcom's 42 per cent increase in pre-tax profits was a narrowing in margins from 6 per cent to 4.5 per cent of turnover. Part of the reason was that the start-up costs of the New York market research operation—which is now trading profitably—were higher than expected. Central office costs and interest payments have also risen by 173 per cent, chiefly due to the administrative demands of Talking Pictures and the telephone research arm, which have yet to contribute to the bottom line. The brightest spot was the computer division, where profits nearly tripled to £340,000. Sales of the Husky range of weather-proof portable computers are expected to rise from 700 units to between 2,000 and 3,000 units in the current year as they continue to make inroads into the U.S. The group, meanwhile, is budgeting for a turnover of up to £15m. The first earnings from the £100m House of Fraser refurbishment contract—which should contribute some £8m to profit over the next five years—plus the absence of U.S. losses and the closure costs of the contract publishing company should lift pre-tax profits above £1m this time, with possibly more to come from Husky computers. The shares rose 4p to 81p, where the actual tax multiple is 18.8, assuming 37 per cent tax.

Nottingham Brick ahead in current year

WITH BOTH sales and profits ahead in the opening four months of 1983-84, the future of Nottingham Brick is viewed with considerable confidence by its directors.

Revealing this at the group's annual meeting in Nottingham, Mr John Hall, the chairman, told shareholders that the upward trend of current trading conditions he referred to in his statement accompanying the accounts, was still continuing.

He added that although the building materials market may not grow in overall size during 1984, he saw no reason why the group should not attain an increase in market share.

The meeting was told that with distribution of the group's bricks on a national basis, and with its enhanced range of products, including the new range of bricks from the Thurmaston factory, the directors intended to take every commercial opportunity available to them.

Mr Hall said the group's size and management structure enables it to respond efficiently and quickly to any change in the market place and a particular customer's requirements.

Referring to the group's tipping activities, Mr Hall said the tipping agreement at Dorket Head, Nottingham, had been finalised.

Members were told that this was a long-term arrangement with Nottinghamshire County Council and that the group would receive rental income for "many years to come."

The chairman also reported that negotiations concerning the group's quarry at Maltby were at an advanced stage with South Yorkshire County Council. It was hoped tipping would commence in April with income accruing to the group for the remainder of the current financial year.

Mr Hall concluded that any benefits from the production of methane gas would accrue to the group, although he emphasised that this was a medium-term project.

As reported in December, the group pushed its pre-tax profits up from a depressed £298,317 to a record £1.05m for the 12 months ended September 30, 1983, from turnover of £7.2m, compared with £5.32m.

Earnings for the year amounted to 31.8p (10.2p) a share and a final dividend of 10p lifted the net total from 7.3p to 14p.

Ladies Pride reverses downward trend

A DOWNWARD trend in taxable profits has been reversed at Ladies Pride which made £154,000 for the final six months to November 30 1983, compared with £148,000 for the corresponding second half.

This gave the maker of fashion outerwear full year profits of £228,000, against £313,000, on turnover up at £6.7m (£6.4m).

After a tax credit for the year of £8,000 (£108,000 debit) and extraordinary charges of £37,000, arising from redundancies due to rationalisation, the profit was £199,000 (£205,000).

The final dividend is maintained at 2p net, giving a total payment of 2.5p, compared with 3.4p.

The decision to leave the final dividend at the same level, say the directors, is justified by the good start to the current year, with all divisions trading satisfactorily.

Another factor is that extra activity, which is giving additional volume to the fabric producing subsidiary and is of benefit to the whole group, has been generated by the sale of Ladies Pride Link and Cygnet collections through shop-within-store concessions.

Shuck re-enters market for pub entertainment

BY CHARLES BATCHELOR

Associated Telecommunications, the office and communications equipment distributor which has been revamped by former London and Liverpool Trust chairman Mr Ronald Shuck, yesterday launched a video system for use in pubs and clubs.

Associated sees a potential £50m market for its VideoSound coin-operated pop video system in 13,200 of the UK's 109,900 pubs and clubs. It has already sold 70 systems since January 1 and aims to sell a total of 2,000 by the end of 1984.

The company is, however, moving into a market where confidence has been badly shaken by the problems of the Tele-Jector venture, which London and Liverpool now hopes to sell. A number of large brewers and the National Union of Licensed Victuallers became sceptical of the pub video idea.

Mr Trevor Homer, executive director responsible for Associated's communications division, said VideoSound, unlike Tele-Jector, would not depend on advertising to provide publicans with income. Also, sets would, for the most part, not be leased to publicans but would be sold to amusement machine distributors who would then rent them out.

VideoSound comprises a wall-mounted coin box and control panel listing a selection of 60 pop video tapes. Customers select a video which is then shown on one or more 26-inch colour television screens mounted in the pub.

New tapes are provided every four weeks by an outside supplier, a company called Diamondtime.

Pilot tests of VideoSound in selected pubs showed a large pub on a commuter road in Greater London had average gross weekly takings of £280 against rent and running costs of £60.55.

Associated began assembly of VideoSound at its Walsall factory last November.

The company hopes to sell systems to large amusement machine distributors such as Management Agency and Music, Associated Leisure and Pleasurama to reach brewery-owned pubs but is prepared to rent or lease to free houses.

Euroflame holders to get nothing from 'empty shell'

BY CHARLES BATCHELOR

Holdings, the wood burning stove manufacturer which ran into difficulties shortly after its launch on the Unlisted Securities Market in March 1981, can expect nothing back from their investment.

Mr Stephen Swaden and Mr Philip Monjack of accountants Leonard Curtis and Co, the joint receivers, are currently attempting to arrange the sale of Heat Appliances, the sole remaining trading subsidiary, for a nominal sum.

Dealings in Euroflame Holdings have been suspended since early 1982 when Euroflame UK, its main operating subsidiary, went into liquidation.

A Department of Trade inquiry into the affairs of Euroflame under Section 165b of the 1948 Companies Act, began in March 1982, is still continuing, a department spokeswoman confirmed.

Heat Appliances, a wholesaler of wood-burning stoves, has continued trading over the past two years but has not been making profits, Mr Swaden said.

"I hope to dispose of the shares for a nominal sum but there will be no money for creditors of Euroflame let alone for the shareholders," he added. "It is really an empty shell.

"Creditors would not get paid on a break up of Heat Appliances but a sale offers the possibility of keeping the business going."

The receivers were called in by Midland Bank in its capacity as debenture holder with first claim to the company's assets.

The receivers are still compiling details of Heat Appliances financial position, but there are no large trade creditors and no very substantial debts to Euroflame, Mr Swaden said.

Euroflame was floated on the USM in March, 1981 but instead of reaching its £350,000 profit forecast for that year it turned in a loss of £535,000 pre-tax.

Further fund raising by New Farm

New Farm Estates, the unquoted agricultural land reclamation company which raised £500,000 via an issue of shares at 200p each last September, is to raise further capital for expansion.

This time, the company is issuing shares at 210p each to acquire land suitable to be returned to agricultural use. Investors in the company will be eligible for tax relief under the Government's Business Expansion Scheme for sums up to £40,000 invested in the current tax year.

Last May, the company acquired 100 acres in Suffolk for £55,000, which has been improved at a cost of £80,000 and was recently valued by Knight Frank and Rutley at £180,000. It has also purchased 87 acres in Sussex for £85,000 and plans to begin reclamation there shortly.

In the 17 months to the end of January 1984, New Farm Estates made a profit of £3,440 and its balance-sheet at that date showed tangible fixed assets at £115,205. The subscription list for the new shares closes on April 5.

Winding up orders made against 81 companies

Compulsory winding up orders against 81 companies were made in the High Court. They were:

Membrane Structures, Zeepa Instruments, MSP Brothers, Art Knit, Vowlight, SOS Air Ambulance (UK), and Top Entertainments (Chester).

Legends Hairdressing, Cleveland Office Equipment, Luteflame, Sprucegold, Febbs Management, Platebond, J & R (Petrochem), Traffic Motor Co. (Hull), and Amida Systems.

West Sussex Plant, Mercyland, Avenue Tree Nurseries, Dipgrove Holdings, Stapledon Fine Arts, Matthews Bacon Co., and FMK International (MFG).

Junnook, Just Window Cleaning, Mastermerit, V & S Drapers, Walltex Improvements, and Sabretree.

Beehive Rubber Company (1955), Danube, Stalmond, Jademere, and Haverhill Cleaning Services.

Haverhill Cleaning Supplies, Thorngable, Warwick Excavations, Gwymar Construction, Gaida Builders, Smith & Burwood (Building Contractors), and L & F Printers.

Surface Application Services, Newtown Steelwork Company, Danny's Burlesque Club, Tony Webster (Car Sales), Reconville, and Lee Matthew Advertising.

Consul (Plastering), Span Aluminium Products, Allwhite Double Glazing, Circle Computer Holdings, En-Pol, and GJA Engineering (Poole).

Henry Sellers Promotions, Keogh (International), Millmead Freight Services, Peckham Electrical Engineers, Walkott, and Vetralight.

CWI (Foamatherm), Page (Waste Paper), Glaron Contractors, Maxhart Construction, Carpal Finance Co., Kennington Cleaning Services, and Midtrell.

Bush Farm Estates, D. Chaplin, NK (Engineering & Sales), Abacus Scaffolding Co., and SM Evans.

Matchless Machines, Mecon, Professional Financial Analysts, and Siftervale.

Kegbench, Meccano, On Video, Veare Developments (Lincoln), Brayford Construction (Lincoln), and Bridgeacre.

COMPANY NEWS IN BRIEF

The interest rate for this week's issue of local authority bonds is 9¾ per cent, unchanged from last week and compares with 10¾ per cent a year ago. The bonds are issued at par and are redeemable on February 22, 1985.

A full list of issues will be published in tomorrow's edition.

* * *

Interim profits of United Real Property Trust increased by over two-and-a-half times from £880,000 to £2.29m.

Gross rental and service income, for the six months to October 5, 1983, rose by £1.18m to £3.04m. The taxable result was struck after rents payable and other property outgoings of £517,000 (£639,000), administration and other charges of £145,000 (same) and interest of £311,000 (£354,000). Interest receivable totalled £198,000 (£134,000) and associated companies added £30,000 (£23,000).

The interim dividend, to reduce disparity, is lifted from 1.5p to 3p. Last year's final payment was 6.5p on taxable profits of £2.99m.

Tax for the opening period was £1.04m (£376,000). Minorities accounted for £21,000 (£6,000), leaving an attributable balance of £1.23m (£498,000).

* * *

The favourable trend had continued at Goring Kerr, electronic engineer, enabling the board to forecast a material improvement in profitability for the current year as a whole, Mr J. H. M. Mackenzie, the chairman, told the annual meeting.

In the annual report he said the year had started favourably with trading well ahead of the corresponding period last year.

* * *

Pre-tax profits of Wintrust, a holding company engaged in banking, increased to a record £1.13m for the six months to September 30, 1983, against £1.01m, and the directors expect further improvement in the full year results.

Tax in the first half took £364,091 (£379,686).

The directors point to the 24 per cent growth in earnings per 20p share from 6.8p to 8.42p, as emphasising the increase in profitability. The second interim dividend is raised from 1.21p net to 1.33p, following an unchanged first interim payment of 0.1p—last year's total payment was 3.91p.

The directors describe group prospects as extremely promising, although the banking community is suffering an erosion of margins which reflects intense competition. They add that activity is high in all departments and this should provide a sound foundation.

* * *

Pre-tax profits of the Fleming American Investment Trust tumbled from £2.97m to £1.98m in 1983. The final dividend is cut from 7.5p to 2.25p net for a lower total of 4.25p per 25p share, against 10.5p previously.

After a slightly lower tax charge of £1.03m, against £1.16m, earnings per share declined from 10.74p to 5.59p.

Net asset value per share, however, moved up from 390.8p to 494.1p.

Franked income fell sharply from £1.71m to £70,000, but unfranked income was well ahead at £2.15m (£907,000). Deposit interest and underwriting commission added £543,000 (£679,000), while administration expenses took £236,000 (£200,000) and interest payable increased from £129,000 to £539,000.

* * *

Acceptances for the offers for all the ordinary and preference of Charterhouse Group and RIT and Northern have been received in respect of over 90 per cent of each class of shares.

Any outstanding shares of both companies will be compulsorily acquired. All the offers remain open until further notice.

LADBROKE INDEX
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DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Aidcom	0.8‡	May 1	0.6	0.8†	0.6
Fleming American	2.25	April 6	7.5	4.25	10.5
Fleming Enterprise int.	2	April 4	2	—	7.2
Ernest Jones	2.5	April 2	2.5	3.9	3.9
Ladies Pride	2	April 19	2	2.5	3.4
Metal Bulletin	4.4‡	April 10	3.8	6.6	6
Utd. Real Prop. int.	3	April 11	1.5	—	8
Wintrust 2nd int.	1.33	April 1	1.21	—	3.91

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue.

MINING NEWS

Transatlantic thoughts on gold

BY KENNETH MARSTON, MINING EDITOR

WHILE so many other investment sectors are concerned, if not mesmerised, by the course of Wall Street the followers of the fortunes of gold are watching closely for signs that their market may at last be about to embark on a sustained recovery. All, however, remain very cautious, but not unhopeful.

Hopes are pinned on two main factors. The first stems from the fact that one major reason for the fall in the bullion price last year was the decline in gold demand from industrial users, notably the jewellers.

They were frightened off by prices of over $500 per ounce early in 1983 which, as far as users in Europe were concerned, were even higher when translated from strong U.S. dollars into weaker domestic currencies.

Since then, the jewellers, in particular, have seen a pick up in demand for their products in line with the consumer-led recovery which provided a good Christmas trade. Now that the bullion price is lower and the dollar is easing jewellery manufacturers may be thinking that the time is ripe for some restocking of metal.

The other reason for hopes of a recovery in gold also reflects the current uncertainty over the dollar. If there is to be a move of money out of the dollar it is likely that some of it might work through to gold, a traditional haven from currency fears, despite high U.S. interest rates.

In a cautious argument in favour of gold, Mr Jeffrey A. Nichols, director of precious metals research at the U.S. Goldman Sachs' J. Aron division comments: "Given the intractable budgeting problems facing this country (the U.S.), however you plan to cast your ballot next November, investors are likely to be voting for gold."

From Canada, Mr Donald McEwen, president of the Goldcorp Investments closed-end investment fund, has forecast rising industrial demand for the metal and is reported in an AP-Dow Jones interview to have said that "gold is good value" although he has added that share prices of the producers "are relatively dear."

He is waiting for a setback in share prices before moving into the market. The aim is to raise the trust's proportionate holding in gold shares to about 45 per cent of the total with 50 per cent in bullion and 5 per cent in cash.

At the end of 1983 the make-up of the C$157m (£87m) portfolio was 28.4 per cent in shares, 65 per cent in bullion and 6.6 per cent in cash.

Goldcorp favours the shares of companies that plan to increase production. Of the South African issues, Vaal Reefs, Southvaal and Randfontein are considered to offer "outstanding value for growth over the next three to four years."

The next promising stocks seen for growth possibilities are in the new Canadian Hemlo gold camp. These include Lac Minerals, Lake Shore Mines, Golden Sceptre Resources, Goliath Gold Mines and International Corona Resources. Also liked are Campbell Red Lake Mines and Homestake Gold Mining.

In London yesterday, the gold price improved further to $390.25 at one time before easing to close with a net gain of $3.05 at $388.50. South African gold shares moved strongly ahead and despite late profit-taking closed with widespread gains which lifted the Gold Mines index by 15.5 to 632.4, its highest since September 26.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—T. F. and J. H. Braime, Eleco, Shaw and Marvin, Throgmorton Secured Growth Trust.

Finals—AI Industrial Products, Alex. ASEA, Anglo-International Investment Trust, Bath and Portland, Foreign and Colonial Investment Trust, Investment Trust of Guernsey, Marchwiel, Weber.

FUTURE DATES

Interims—

Peters (Michael)	Feb 27
Sime Darby	Mar 3
Telefusion	Mar 2

Finals—

Kode International	Mar 9
Lond. and Scottish Marine Oil	Mar 13
Padang Senang	Feb 23

Higher gold price helps Dickenson back to profit

CANADA'S GOLD-PRODUCING Dickenson Mines returned to profit last year, helped by the higher average gold price and an increase in production from its mine in the Red Lake area of Ontario.

Dickenson made a net profit of C$3.6m (£2m) in 1983, after extraordinary credits of C$1.1m relating primarily to a reduction in future tax liabilities. This compares with a net loss in 1982 of C$2.68m, the loss in that year being struck after a C$774,000 write-down in the value of some of the company's assets.

Total sales revenue rose from C$19.44m in 1982 to C$23.24m last year.

The Red Lake mine's total gold production in 1983 was 51,900 oz, and Dickenson's 65 per cent share of this was 33,700 oz. In addition, the company sold 2,100 oz of gold contained in concentrates, to make its share of output 35,800 oz.

Dickenson's share of the previous year's production was 37,000 oz, the higher figure reflecting the fact that the company owned the whole of the Red Lake operation until June 30 1982, when a 35 per cent stake was sold to Sullivan Resources.

Fourth quarter net profits after extraordinary items were C$1.53m.

The company plans to buy the Havelock Lime group, a major supplier of lime products in Canada's Maritime provinces, for C$8.8m, plus working capital. Dickenson bought 60 per cent of the group on January 11, and will acquire the remaining 40 per cent on January 1 1987. In the intervening three years, Havelock will be operated as a joint venture with the existing owners.

BIDS AND DEALS IN BRIEF

Pritchard Services Group is adding to its interests in the U.S. It has acquired Automatic Catering for $12.4m (£8.58m at current exchange rates) and proposes to make an initial investment limited to $4.6m (£3.18m) in Amb!care.

Automatic Catering provides cafeteria services at over 70 locations in Connecticut, New Jersey, New York and Pennsylvania, as well as having substantial sales through vending machines. With the acquisition of Food Concepts last October, Pritchard will have food services sales of some $85m annually (£58.78m), with a particularly strong presence in the north-east corridor of the U.S.

Ambicare specialises in the provision of health care services, particularly through outpatient surgical centres. Pritchard proposes to purchase a 45 per cent shareholding, and an option to acquire the balance. Pritchard is already involved in the U.S. home health care market through Kimberly Services.

* * *

Attwoods has agreed to acquire 10,000 ordinary £1 shares in Drinkwater & Murray comprising one half of its share capital for £125,000. Attwoods' subsidiary WW Drinkwater already holds the remaining 10,000 Ordinary Shares in D & M.

D & M is the freehold owner of Cripps Farm, Harefield, Middlesex, which includes 49 acres of mineral bearing agricultural land. The farm has recently been independently professionally valued at £200,000, taking into account the potential for mineral extraction and at £75,000 on the basis of the existing use.

In addition, on the basis of the draft accounts as at April 30, 1983, D & M held £61,000 at the date in interest yielding deposits. Cash in hand and on deposit now amounts to £98,000.

Save for the receipt of rent and of interest as above D & M has not traded for approximately 3 years.

Consideration will be satisfied as to £85,000 in cash and £40,000 by the issue and allotment to the vendors of 36,698 ordinary 25p shares in Attwoods.

* * *

F. H. Lloyd (Holdings) is to acquire the capital of **Rollstud** for £950,000 cash. The latter is strongly established in Aberdeen and is a supplier of high quality fastenings to the oil, gas and petrochemical industries.

For the year ended January 31, 1983 Rollstud's turnover was £1.64m and its profit £223,000 before tax. Net tangible assets at the account date stood at £309,000.

* * *

Trafalgar House has finalised its agreement with Jardine Matheson and will pay HK$200m (£17.8m) for a 50 per cent stake in **Gammon (Hong Kong)**.

* * *

The Lilleshall Co is planning to concentrate its resources on steel stockholding, land development and the sale of industrial fasteners, and is therefore considering the disposal as going concerns of its manufacturing businesses Lilleshall Engineering, manufacturer of security fencing, galvanisers and machinists, and Shotclean & Painting, specialist in shotblasting and painting of constructural steelwork.

* * *

By the closing date of the offer by **Ciro Inc** for **Ciro PLC**, acceptances were received for 550,337 (17.6 per cent) ordinary. The total of ordinary held before the offer period was 2.57m (82.3 per cent) and the total acquired or agreed to be acquired during the offer period was nil.

Ciro Inc now holds 3.11m ordinary (99.9 per cent).

Ciro Inc intends to acquire the remaining ordinary compulsorily.

SE changes gilt-edged rates

The Stock Exchange yesterday unveiled its plans for a reduction in certain rates of commission charged on gilt-edged securities which will come into force on April 9 1984. The list of changes is detailed below.

STOCK EXCHANGE COMMISSIONS ON GILT-EDGED SECURITIES

Existing Scales

Longs			Mediums		
0.8%	on the first	£2,500	0.8%	on the first	£2,500
0.25%	on the next	£15,500	0.125%	on the next	£15,500
0.125%	on the next	£982,000	0.0625%	on the next	£982,000
0.1%	on the next	£3,000,000	0.05%	on the next	£3,000,000
0.05%	on the next	£6,000,000	0.025%	on the next	£6,000,000
0.03%	on the excess		0.015%	on the excess	
Shorts: At discretion					

Proposed New Scales

Longs			Mediums		
0.8%	on the first	£2,500	0.8%	on the first	£2,500
0.25%	on the next	£15,500	0.125%	on the next	£15,500
0.125%	on the next	£232,000	0.0625%	on the next	£232,000
0.1%	on the next	£750,000	0.05%	on the next	£750,000
0.09%	on the next	£3,000,000	0.045%	on the next	£3,000,000
0.04%	on the next	£6,000,000	0.02%	on the next	£6,000,000
0.02%	on the excess		0.01%	on the excess	
Shorts: At discretion					

BIDS AND DEALS

Vantona Viyella linked to fresh bid for F. Miller

BY RAY MAUGHAN

Vantona Viyella, the household textiles, shirts and uniform clothing group, is believed to have prepared a bid worth almost £14m for F. Miller (Textiles).

The all-equity approach is understood to have received outline acceptance from institutional holders of more than 40 per cent of Miller's equity. However, the consent of the board, headed by Mr Frederick Miller, in respect of 17.4 per cent is expected to determine the success or otherwise of this new approach.

Vantona's interest follows the failure of a bid worth just over £11m from Nottingham Manufacturing which lapsed last Thursday in the face of the support given by Miller's major shareholders to an alternative team of four managers, backed by the Scottish Development Agency.

The offer by Nottingham was accepted by the Miller board and by Prudential Assurance in respect of a further 10.4 per cent of the share capital.

Its eventual failure, however, has prompted the four outside managers to contact Miller's shareholders in pursuit of their plans to take seats on the board of the Marks & Spencer supplier. Mr John Matthews, leading the SDA-backed team, said yesterday that he and his colleagues had written consents from shareholders supporting their proposals.

But the Miller board may have blocked these plans when it announced yesterday that "discussions are taking place which could affect the future ownership and control of the company."

The statement added that these discussions will extend to a number of the company's shareholders, including shareholder directors. It is too early to know if these discussions will be successful and shareholders are advised to take no action with regard to their shares."

It is thought probable that the discussions will have been completed today.

Nottingham's terms, unchanged throughout the course of the offer, were pitched on a one-for-six equity exchange basis which at a current price of 224p priced Miller at just over 37p per share.

Nottingham has reserved the right, under Takeover Panel rules, to come back with another bid for Miller within the usual 12 month stand-off period if another offer appears. However, Vantona is believed to be discussing a bid worth some 45p per share, again on all equity basis, which offers a considerable premium on the terms Nottingham had previously refused to increase.

Stylo to make no revaluation of assets

By Terry Garrett

SHOE retailer Stylo, currently on the receiving end of a £28.6m cash offer from Harris Queensway, will be publishing its defence document in the next couple of days.

There will be very little new information for Stylo shareholders, however, and certainly there will not be any attempt at an asset revaluation for Stylo's High Street chain of shoe shops, which the defenders claim is worth far more than Harris Queensway's offer.

The message from the document will be that as shareholders controlling over 50 per cent of the votes have decided to reject the bid, Harris's offer must eventually lapse.

The figure does not include ordinary shares held by Town Centre Securities where Stylo's chairman Arnold Ziff also heads the board, or shares held by Stylo's pension fund.

Harris has offered ordinary shareholders 325p a share and 450p a share for the tightly held management shares. Because the unquoted management shares have 16 votes apiece the Ziff family can speak for 43.5 per cent of the votes from an equity base of just 4.6 per cent. The family also holds ordinary shares.

In the market Stylo's shares have drifted back from the 340p level of the early stages of the bid to 250p—75p below the bid—reflecting the fast diminishing chances of Harris succeeding with its current offer. Harris owns 5.1 per cent of Stylo but has made no attempt to buy shares in the market.

Mr Arnold Ziff has argued from the outset that the offer bears no resemblance to Stylo's underlying asset value. In the last accounts current cost assets were worth just under 400p a share.

Mr Ziff has recently been touring the offices of several leading property agents and the directors are expected to appoint a firm of valuers soon, though their work will take some months to complete.

First closing date on the offer is Wednesday, February 29.

Delyn Packaging

In Monday's edition, due to an agency error, it was reported that Border and Southern Stockholders Trust had sold 240,000 shares in Delyn Packaging. This was not the case.

Cowie £5m bid for Hanger Investments gets Ford approval

BY TERRY GARRETT

T. Cowie is making a £5m cash and equity bid for fellow Ford main dealer, Hanger Investments, with the agreement of the Adams family which controls Hanger.

The deal has the blessing of Ford Motor Company even though, initially, the enlarged group will break Ford's franchise agreement which stipulates a maximum of five dealerships under one ownership. The enlarged group will have nine.

A spokesman for Ford said yesterday that the franchise department was discussing the position with Cowie, "but the policy is clear, the new group will have to sell some."

Mr Tom Cowie, chairman of Cowie, said last night that he was confident Ford "would be sensible" and not rush the changes which have to be made.

Terms of the offer are four Cowie shares plus 346p in cash, for every nine Hanger. At last night's close, Cowie stood at 36½p valuing each Hanger share at just under 55p. The shares were suspended earlier this month at 34p, capitalising Hanger at £3.1m, before it was announced that the two companies were in talks.

Accepting shareholders have a choice on how they want to take the consideration. There is an all-cash offer worth 54p a share or all-paper offer substituting the Cowie shares for unsecured loan notes.

Hanger's chairman and deputy chairman—Mr P. Adams and Mr G. Adams—and certain members of the Adams family, have backed Cowie's bid and given irrevocable undertakings to accept giving the bidder 50.4 per cent. Mr Tom Cowie said yesterday that there was a looked as if both Hanger's chairman and deputy chairman would be joining Cowie's management.

Those two have also agreed not to buy any more Cowie shares for a period of two years or sell more than 50,000 Cowie shares in any single transaction without giving Cowie's board chance to arrange a placing.

Hanger's profits reached a peak in 1979 of £2.7m at a time when Cowie was making only £2.1m. Faced with the widespread problems of the motor trade Hanger went into steep decline turning in losses for two years out of three. Cowie meantime has seen its profits depressed but is still showing reasonable returns.

Mr Tom Cowie believes that given "the Cowie style, which should lead to an improvement, and the obvious opportunities for rationalisation" Hanger's problem areas could be turned round in "about a year."

Hanger also has an attractive leasing and contract hire side which will be put together with Cowie's own operation, a 50:50 joint venture with Forward Trust.

The group will have 16,000 vehicles on either contract hire or leased, which will be one of the largest fleets of its kind in the UK. "We will be in the top three," according to Mr Cowie.

Cowie has been advised by Noble Grossart. Morgan Grenfell has acted for Hanger.

Terms for EDITH approved

BY DAVID DODWELL

THE SPECIAL shareholders committee for EDITH, the investment trust, set up last week to examine the terms of a £54.7m bid for the company by Investors in Industry (3i), has concluded that the offer "constitutes fair value." The committee intends to accept the offer.

The committee was set up after major institutional shareholders in EDITH expressed concern that the company's unquoted securities had been undervalued.

They put in jeopardy 3i's plans to buy the 60 per cent of EDITH not already in its own hands by blocking proposals at an extraordinary shareholders meeting called to approve a capital reorganisation.

When the first closing date for the bid passed on February 9, 3i had added shareholdings amounting to just 8.5 per cent to its original 40 per cent stake. When extending the offer, it declared its present terms—of 57p cash for every EDITH share—as final.

Members of the special shareholders committee, who represented Commercial Union, Legal & General, Prudential, Electricity Supply Pension Scheme and the Lloyds Bank Staff Fund, accounted for 25 per cent of EDITH's shares.

After a series of meetings late last week, they have concluded that their fears about undervaluation were unjustified. Acceptance of the offer, which boosts acceptances to 73.5 per cent, will be made before the next extraordinary shareholder meeting on February 27.

Avondene stake in Henlys

Avondene Securities, the investment subsidiary of the Bank of Scotland, yesterday boosted its stake in Henlys, the motor car dealer, by 4.28 per cent to 29.62 per cent.

The purchase comes just a day after Coleman Milne, the subsidiary of Mr Michael Ashcroft's Hawley Group, acquired a 15 per cent stake in the company.

Mr Ewen Cameron, company secretary of Avondene, refused yesterday to say what price his company paid to top up its stake. Henlys shares improved by 1p to close at 108p.

"We had an opportunity to acquire the stock, and so we took it," Mr Cameron said. "We are watching Coleman Milne with interest, but have no views on their acquisition."

Coleman bought its shares from Mr Jim Gregory, chairman of Queens Park Rangers Football Club. Avondene remains the single largest shareholder in Henlys.

* * *

On February 20, 1984, W. Greenwell and Company purchased on behalf of Taddale Hotels Europe, 50,000 Prince of Wales Hotels ordinary shares at 145½p per share.

Brit. Land buys £5m Dublin site

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

British Land, in association with Power Securities, has paid just over £5m for a development site in the heart of Dublin. A £20m retail and office scheme is planned.

The site, in the north-west corner of St Stephens Green, represents one of the last major development opportunities in the city. It has been purchased from the receivers of the Gallagher Group, Ireland's largest property developer, which collapsed in May 1982.

Mr John Ritblat, chairman of British Land, said the company intended to develop a covered shopping centre with parking for up to 700 vehicles. Offices and an hotel were being considered. British Land has received outline planning permission for its proposals.

British Land recently entered into another agreement with Power Securities for a 28,500-sq-ft office building, also on St Stephens Green. The company also owns Cumberland House, a 118,000-sq-ft freehold office building in Fenian Street.

Mr Ritblat added: "The site has a long and complicated history and has been fraught with legal difficulties. They are now resolved, however, and we have picked up an excellent site with excellent potential at a very low price."

Development should start within 12 months and is expected to take about two years.

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WALL STREET

Unsettled air proves persistent

DOUBTS OVER Federal Reserve policies, which resurfaced at the end of last week, continued to unsettle Wall Street yesterday, *writes Terry Byland in New York.*

The strong growth of the U.S. economy disclosed by official statistics for January, and culminating in Friday's upgrading of the Commerce Department's growth statistics for GNP in the final quarter of 1983, loomed over the bond market. The stock market struggled to hold on to Friday's closing levels but leading stocks began to slip lower again at midsession.

The market continued to slip lower during the day, with sporadic attempts to rally fading away on a lack of buying support. The Dow Jones industrial average closed at the day's low, to show a fall of 9.53 points to 1,139.34 its lowest level since April 8 of last year. But turnover showed a further fall in the day's share total of 71.8m the lowest this year.

The bond market opened lower, and proved unable to sustain a half-hearted attempt to rally. The key long bond, the 12 per cent of 2013, remained below par value, which is regarded as a crucial support level, while in the futures market the March contract fell away, also endangering a market support line.

The mood of the bond market was bearish, with several leading analysts warning that the Fed might tighten credit policies by next month.

The warnings over interest rates overshadowed any optimism created in the stock market by the confirmation of rapid growth in the economy. Turnover was subdued and stocks began to give ground as sellers found that the major institutions were keeping out of the market.

The stock market's difficulty in staging even a technical recovery – it is now at its lowest point since the current sell-off began – has been made greater by the rise in rates in the credit markets. Yields of around 12 per cent in the bond market compare with only 4.6 per cent on the Standard & Poor's 500 stock index, even after the shake-out of the past six weeks.

Once again, IBM provided a disappointing lead, slipping $⅝ to $109⅞. The market bellwether was not helped by press criticism of the reception for the PCjr or Peanut, the recently introduced IBM home computer.

Ford Motor shed $1½ to $36¼ and Chrysler at $26⅛ gave up $⅞. AT&T outperformed the market at first but later slipped back from an early gain to stand unchanged at $16⅝.

The oil sector had a quieter session as the absence of further bid moves cooled investor enthusiasm. At $52⅝, Gulf Oil fell by $1⅞ while awaiting the next move either from Mr Boone Pickens or from Atlantic Richfield – which edged up by $¼ to $46, against the trend of the market.

Philips Petroleum, expected to be a player in any renewal of the bidding game for domestic reserves, added $¼ to $42⅛. But Superior Oil shaded down by $⅛ to $39⅞ in the absence of any take-over approach.

The active stocks list was topped for much of the day by Baxter Travenol, the pharmaceuticals group, which fell $1¾ to $18⅛, after warning that, despite the decision to increase the dividend, the board sees lower earnings in the first quarter.

Deere, the farming equipment manufacturer, dipped $⅝ to $31⅞ after disclosing a turnround from loss into a $2m profit in the first quarter of this year.

Other stocks to reflect company announcements included Charter, the Florida-based insurance and oil group which announced plans to spin off to shareholders the finance and insurance operations which have been scarred by their association with Baldwin United. Charter added $⅝ to $12, helped also by first-quarter results.

Gulf Resources put on $⅛ to $21⅞ after reporting results for the final quarter.

But a dip in operating profits in the opening three months took $1¾ off Firestone, the tyre manufacturer, putting the stock at $17⅛.

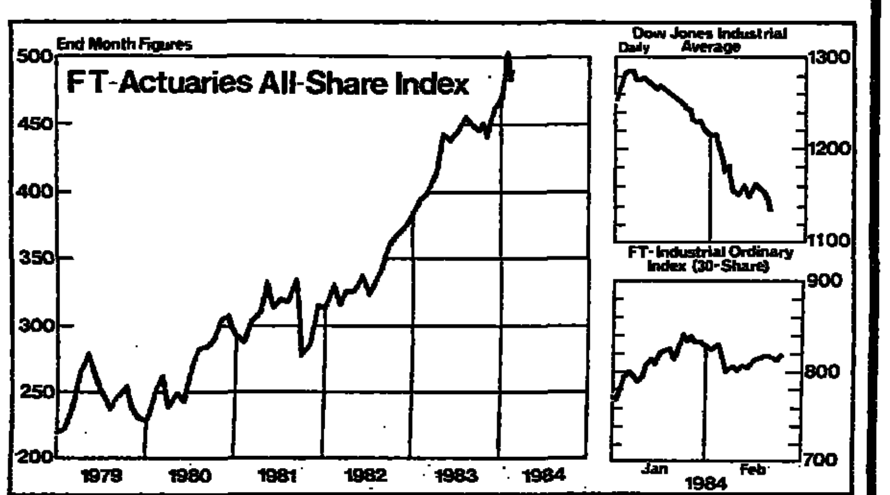
In the credit markets, short-term rates – which rose sharply on Friday afternoon when rumours of a rise in the discount rate circulated in the markets – held firm at first yesterday.

But, with the federal funds rate also edging higher at 9⅞ per cent, the market was helped by the Fed which announced $1.5bn in customer repurchases. The rate on three-month Treasury bills then eased to 9.07 per cent, a fall of five basis points, with the six-month rate seven basis points off at 9.28 per cent.

Trading was thin in the bond market, with traders taking a series of minor rallies as selling opportunities. The key long bond slipped back 99 23/32 but rallied to end at 99 25/32, a net gain of 1/32, to yield 12.01 per cent.

In the futures market, the March contract fell one basis point to 69 13/32, threatening a support level of 69 9/32.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Feb 21	Previous	Year ago
DJ Industrials	1139.34	1148.87	1092.82
DJ Transport	496.53	502.31	480.70
DJ Utilities	124.61	124.66	124.12
S&P Composite	154.64	155.74	148.00
LONDON			
FT Ind Ord	819.30	812.50	642.40
FT-A All-share	494.30	490.86	404.35
FT-A 500	529.23	525.85	437.81
FT-A Ind	482.06	478.87	413.41
FT Gold mines	632.40	616.90	671.30
FT-A Long gilt	10.19	10.21	11.05
TOKYO			
Nikkei-Dow	9970.64	9937.83	7987.27
Tokyo SE	770.78	768.69	582.17
AUSTRALIA			
All Ord.	744.50	751.00	504.80
Metals & Mins.	512.50	519.40	447.20
AUSTRIA			
Credit Aktien	55.45	55.40	48.92
BELGIUM			
Belgian SE	141.03	141.05	106.31
CANADA			
Toronto Composite	2362.3	2377.90	2103.20
Montreal Industrials	412.97	415.96	359.59
Combined	397.89	400.98	348.92
DENMARK			
Copenhagen SE	205.60	204.57	110.76
FRANCE			
CAC Gen	161.70	159.60	105.50
Ind. Tendance	104.30	102.50	110.30
WEST GERMANY			
FAZ-Aktien	352.41	356.89	265.21
Commerzbank	1036.80	1051.00	796.60
HONG KONG			
Hang Seng	1066.91	1072.81	983.82
ITALY			
Banca Comm.	219.38	220.38	205.76
NETHERLANDS			
ANP-CBS Gen	161.20	161.80	111.10
ANP-CBS Ind	132.30	132.80	97.20
NORWAY			
Oslo SE	238.53	236.00	151.25
SINGAPORE			
Straits Times	1026.76	1022.34	808.93
SOUTH AFRICA			
Golds	964.50	935.60	951.50
Industrials	972.40	968.50	855.90
SPAIN			
Madrid SE	119.19	117.07	103.40
SWEDEN			
J & P	1564.43	1563.08	1198.78
SWITZERLAND			
Swiss Bank Ind	373.20	373.80	310.30
WORLD	Feb 20	Prev	Year ago
Capital Int'l	179.80	179.90	162.00

GOLD (per ounce)

	Feb 21	Prev
London	$388.50	$385.45
Frankfurt	$389.75	$385.75
Zürich	$389.00	$385.50
Paris (fixing)	$388.04	$384.50
Luxembourg (fixing)	$388.00	$384.25
New York (Feb)	$388.40	$384.70

* Latest available figure

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	Feb 21	Previous	Feb 21	Previous
$	–	–	1.444	1.446
DM	2.7035	2.6865	3.905	3.8875
Yen	234	233.40	338	337.75
FFr	8.3425	8.2625	12.045	11.9725
SwFr	2.2175	2.206	3.205	3.1925
Guilder	3.0475	3.029	4.4025	4.3825
Lira	1671.25	1662.75	2412.5	2404
BFr	55.37	55.01	79.95	79.55
C$	1.2495	1.24825	1.804	1.806

INTEREST RATES

Euro-currencies	Feb 21	Prev
(3-month offered rate)		
£	9 7/16	9 7/16
SwFr	3 11/16	3¾
DM	5¾	5¾
FFr	15¼	15½
FT London Interbank fixing (offered rate)		
3-month U.S.$	10¼	10 5/16
6-month U.S.$	10 7/16	10 9/16
U.S. Fed Funds	9⅝*	9⅝
U.S. 3-month CDs	9.75*	9.65
U.S. 3-month T-bills	9.12*	9.15

U.S. BONDS

Treasury	Feb 17* Price	Yield	Prev Price	Yield
10⅞ 1986	99 29/32	10.84	99 30/32	10.85
11⅜ 1991	99 [illegible]	11.79	99 [illegible]	11.81
11.75 1993	99 [illegible]	11.89	99⅝	11.90
12 2013	99 [illegible]	12.01	99 [illegible]	12.02
Corporate	Feb 21 Price	Yield	Prev Price	Yield
AT & T				
10⅜ June 1990	93⅞	11.80	94⅛	11.70
3⅞ July 1990	68⅝	10.75	68⅝	10.80
8⅜ May 2000	75⅜	12.30	75⅜	12.20
Xerox				
10⅞ March 1993	92⅝	12.05	92⅝	11.95
Diamond Shamrock				
10⅞ May 1993	91⅞	12.20	91⅝	12.15
Federated Dept Stores				
10⅞ May 2013	86⅝	12.35	87⅛	12.20
Abbot Lab				
11.80 Feb 2013	95.413	12.85	96⅞	12.65
Alcoa				
12⅜ Dec 2012	96⅝	12.70	96⅞	12.65

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
March	69-18	69-19	69-09	69-13
U.S. Treasury Bills (IMM) $1m points of 100%				
March	90.82	90.84	90.78	90.81
Certificates of Deposit (IMM) $1m points of 100%				
March	90.25	90.26	90.18	90.24
LONDON				
Three-month Eurodollar $1m points of 100%				
March	90.04	90.04	89.97	90.02
20-year Notional Gilt £50,000 32nds of 100%				
March	109-02	109-05	108-27	108-23

COMMODITIES

(London)	Feb 21	Prev
Silver (spot fixing)	639.30p	631.60p
Copper (cash)	£998.50	£1003.75
Coffee (March)	£2047.50	£2064.50
Oil (spot Arabian light)	$28.47	$28.45

LONDON

Data tempt many from sidelines

THE EXTENDED weekend break in the U.S. gave London investors the opportunity to concentrate more on encouraging domestic economic pointers and to forget, temporarily, unsettling transatlantic influences.

Confirmation that the UK economy grew by 3 per cent last year – the fastest rate for a decade – and was to grow faster than anticipated tempted equity investors away from the sidelines.

This sentiment was reflected in the FT Industrial Ordinary index which closed at its high for the day of 819.3, a gain of 6.8, while the new FTSE index closed slightly below its best at 1,044.4, up 9 points.

Gilts edged ahead on the possibility of lower UK interest rates in the spring and shrugged aside the more immediate threat of dearer U.S. money.

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HONG KONG

THE NEXT round of Sino-British talks on the future of the colony induced caution among Hong Kong investors, with the Hang Seng index closing 5.90 off at 1,066.91.

Most leading shares posted small losses, with Hongkong Land 8 cents off at HK$3.62, although Jardine Matheson held its decline to 4 cents at HK$12.70 and Hutchison Whampoa was 3 cents weaker at HK$17. Hongkong Telephone was one of the few bright spots of the session with a 25-cent rise to HK$45.50.

Banks were slightly easier to unchanged.

SINGAPORE

INDUSTRIAL and bank shares performed well in moderate Singapore trading which reversed some of the recent declines. The Straits Times index added 4.42 to 1,026.76.

Cement shares, however, were hit by suggestions that other Asian producers were dumping cement on the Singapore market.

United Overseas Land, the most active stock with 507,000 shares traded, closed 2 cents higher at $2.84 while 15-cent gains were recorded for Fraser & Neave at S$5.75, Malayan Banking at S$9.95 and UOB at S$5.70.

SOUTH AFRICA

COMBINED overseas and local demand pushed Johannesburg gold shares higher on the strength of the improved bullion price.

Hartebeest managed a R2.50 advance to R98.50, while Free State Geduld added R1.50 to R50.25 despite labour unrest at the mine.

Anglo-American Gold continued to advance with a R5 rise to R146, a R10 improvement over the past week. Barlow Rand in industrials was 45 cents stronger at R14.50, while Nedbank was one of the few losers of the session with a 25-cent drop to R18.

EUROPE

Direction fails to develop

A CLEAR direction failed to emerge from the European bourses yesterday, deprived as they were of indications from Wall Street until well after the official close in most centres.

Trading enthusiasm remained generally tepid, and movements in major indices were in many cases disproportionate to the activity provoking them. Banks were notable in some centres for falling victim to profit-takers after a recent cautious reconsideration of the inroads made on their financial standing by the international debt crisis.

This was particularly evident for those banks quoted in **Zurich**, where Swiss Bank Corporation fell back SwFr 7 to SwFr 353 after a SwFr 13 rise on Monday, as opinion diverged on whether an expected dividend increase might be by 1 per cent or 2 per cent.

The banks' world debt troubles have been offset, however, by good earnings at home from securities business on behalf of clients. Crédit Suisse was steady at SwFr 2,370 and UBS firmed SwFr 5 to SwFr 3,600 on a day which left other sectors listless.

Low turnover in domestic bonds left prices between 10 and 20 basis points firmer.

ABN distressed **Amsterdam** by warning that its loss provisions on lending would remain high, and the stock fell Fl 14 to Fl 397. Amro shed Fl 1.50 to Fl 73.50 and Ned Mid Fl 5 to Fl 170.

Bonds were quietly traded and mainly unchanged.

Steep and widespread **Frankfurt** declines were reflected in a 14.2 slide in the Commerzbank index at 1,036.8, but turnover was low. The banking sector profit-takers clipped DM 5 off Deutsche Bank at DM 383, DM 3.80 from Commerzbank itself at DM 184, and a sharp DM 9.50 from Bayerische Vereinsbank to settle at DM 342.50.

Similar reactions among the insurance majors left Allianz DM 18 weaker at the DM 800 mark and Munich Re, its associate, off DM 90 at DM 1,160.

Daimler-Benz led the car makers DM 10 down at DM 563, while Metallgesellschaft was one of the few to gain – up DM 3.50 at DM 238.50

Siemens shed a further DM 5 at DM 395.50 as the Nixdorf launch prospects were assessed. Bayer, under scrutiny for alleged tax evasion, relinquished DM 3.80 at DM 168.10.

Slipping bond values required the Bundesbank to make DM 28m of public paper purchases.

Paris, ending its monthly account, managed a fairly uniformly stronger result after most of the technical selling associated with settlements had been undertaken by Monday. Advances led declines by a three to one margin, and the Indicateur de Tendence added 1.8 to 104.3.

Radiotechnique was beseiged by buying orders and temporarily suspended, finishing with a FFr 29 gain at FFr 397.

Elf-Aquitaine added FFr 8 to FFr 229 as it moved to announce a capital increase.

Prominent **Brussels** advances in a mixed session included UCB, BFr 130 higher at BFr 4,850 while other chemicals achieved more muted gains; and Hoboken, leading the metals sector BFr 90 up at BFr 5,200 as Vieille Montagne put on BFr 35 to BFr 4,095 and Arbed BFr 20 to BFr 1,418.

Kredietbank illustrated patchy weakness among financials, down BFr 50 at BFr 6,900.

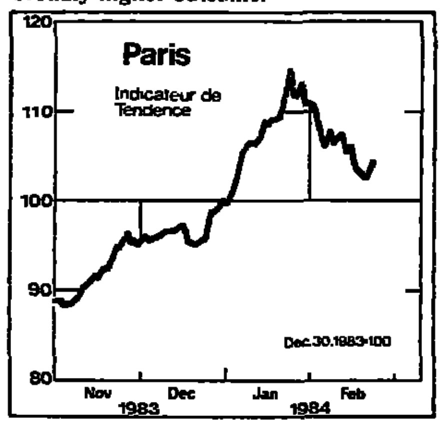
A mainly higher **Stockholm** accorded gains of SKr 5 apiece to Alfa-Laval at SKr 299 and Esselte at SKr 330. Set against these was a SKr 20 fall in the investment company Cardo to SKr 510.

In **Oslo**, Borregaard, with its higher results and dividend, rose NKr 7.50 to NKr 240.

Banks fared poorly in a mixed **Milan**, with Banca Commerciale down L895 to L35,900. Mediobanca L550 to L62,350 and Credito Italiano L110 to L4,320. Montedison drew the bulk of late demand to finish L5.4 up at L225 and was still sought in unofficial dealings afterwards.

Volume overall was slow amid political uncertainties over wages policy. Bonds held firm.

Livelier **Madrid** dealings brought a broadly higher outcome.



AUSTRALIA

BHP battle brings sellers out

TRADING in BHP, the subject of a tender bid by Bell Group, dominated Sydney yesterday with profit-taking evident in the afternoon as the All Ordinaries index closed 6.3 lower at 744.7.

BHP, which sought an injunction against Mr Robert Holmes à Court's bid for 16m shares, opened at a high of A$14.40, but finished the day 10 cents weaker at A$13.80 following the postponement of the bid until tomorrow's court hearing. Bell encountered a 20-cent decline to A$6.10.

Elsewhere, oil and gas issues were weaker as Santos continued to fall back with a 6-cent dip to A$7.50. The diversified Elders IXL was steady at A$4.30 after its 26 per cent rise in interim profit and a 50 per cent dividend rise to 12 cents a share.

Banks were mixed with ANZ showing continued strength, rising 6 cents to A$5.56, although National Commercial lost 5 cents to A$3.55 and Westpac fell 8 cents to A$3.62.

MIM Holdings, recently trading within a narrow range, sustained one of the largest proportionate falls of the session with a 12-cent drop to A$3.33.

Retailers, developers and brewers were mixed to easier.

TOKYO

Vigour all but absent

ONLY some speculative and high-priced stocks attracted buyers in slow Tokyo trading yesterday, with investors remaining on the sidelines in the absence of fresh incentives, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average added 32.81 points to 9,970.64, and although volume rose to 199.27m shares from Monday's 140.46m, the market lacked vigour. Advances outpaced declines 373 to 337, with 173 issues unchanged.

After the close, the Tokyo Stock Exchange announced that the buying balance of margin transactions reached an all-time high of Y2,427bn on February 18, up Y14.6bn from a week earlier and surpassing the previous peak of Y2,420.8bn registered on September 24. This was the sixth consecutive weekly rise. Conversely, the margin selling balance was down Y19.1bn to Y249bn.

The increased margin debts and dullness of Wall Street led investors to adopt a hands-off attitude and select only some speculative issues.

Small-capital, high-priced stocks were bought in early trading, with Kyocera climbing Y140 to Y10,270 and TDK Y170 to Y6,550. The buying was prompted by the prospects that investment trust management houses would buy the issues shortly, as they are scheduled to invite subscriptions for investment trust funds towards the end of the month.

In the afternoon, non-ferrous metal stocks drew buyers' interest on reports of further tension in the Middle East, notably the Strait of Hormuz. Mitsubishi Metal firmed Y23 to Y505, Sumitomo Metal Mining Y1,460 and Mitsui Mining and Smelting Y13 to Y494. The trade volume of Mitsubishi Metal came to 10.33 shares, the day's largest.

Hazama-gumi gained Y13 to Y348 on buying by non-residents, and Kanto Denka Kogyo Y60 to Y1,440.

Among blue-chip gainers were Fuji Photo Film, which advanced Y50 to Y2,120, and Toyota Motor Y30 to 1,360, whereas Nissan Chemical, which had been in favour, fell Y13 to Y338.

Trading in the bond market slowed down further against growing concern over a U.S. interest rate rise, as investors became more discouraged by the yen's weakness against the U.S. dollar due to conditions in the Middle East.

The yield on the barometer 7.5 per cent government bonds, falling due in January 1993, rose to 7.395 per cent from the previous day's 7.39 per cent.

CANADA

HYDROCARBON related issues displayed continued weakness in Toronto in the wake of Dome Petroleum's suspension early in the session.

Golds, on the other hand, were strong, with base metal stocks revealing renewed resilience.

Papers in Montreal were the only bright spot recording a marginal rise as industrials and utilities lost ground.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19¼	9¼	AAR	.23	2.3	23	295	10¼	10¼	10¼	
52½	30¼	ACF	1.40	3.3	38	562	43½	43	43	-¼
22	16¾	AMCA	n.1	5.5		4	18¾	18¾	18¾	
18¾	14¾	AMF	.50	3.5		1263	14¾	14¾	14¾	
50½	50	AMF	pf 59a	1.2		950	50¾	50½	50¾	+½
41¾	21	AMR Cp			6	5732	28¾	27⅞	28¾	+¾
20¾	16¾	AMR	pf2.18	11		19	19⅞	19¾	19¾	-¼
41½	25⅞	AMR	pf2.13	7.1		81	31	30	30	-½
16¾	5¾	APL			3	69	11⅛	10⅞	11	
55¾	36¾	ARA	2.05	4.7	9	144	45¼	43⅞	44	-1¼
77¾	50¾	ASA	3a	4.8		1168	62⅞	61½	62⅞	+1½
33¾	14¾	AVX	s .32	1.5	22	128	22¼	22	22	
53¾	38¼	AbtLab	1	2.3	15	2611	44¾	42½	43½	-1½
30¾	23¾	AccoW	n.60	2.3	17	26	26	25⅝	25⅝	-⅜
27½	17¾	AcmeC	.40	1.8		88	23⅞	22¼	22¼	-1¼
13	8⅝	AcmeE	.32b	3.4	59	43	9⅞	9⅝	9⅝	-⅛
24⅞	9¼	AdmDg	.04	.3	10	86	13	12⅝	13	+¼
18¾	15¾	AdaEx	2.11e	13		68	16	15¾	16	+¼
19¾	7¾	AdmMl	.28	1.6	8	35	17¼	17	17¼	+¼
18⅝	8⅞	Advest	.12	1.2	9	20	9¾	9⅝	9¾	
37½	15¾	AMD	s		34	1587	27⅞	27½	27¼	+¾
24⅝	12½	Aeflx	s		13	34	13½	13¼	13¼	
43½	33½	AetnLf	2.64	7.8	10	2589	34¼	33¾	33¾	-¾
63	55¾	AetL	pf5.09e	8.9		220	57½	56¾	57¼	+¼

Continued on Page 23

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	15½	ALLab	n			100	15½	15½	15½	
6⅛	1½	ATI				21	1⅝	1⅝	1⅝	
12¼	4	AcmePr				13	4¼	4¼	4¼	+¼
19½	12¾	AcmU	s.32	2.2	15	17	15⅛	14½	14½	−⅛
14¾	6⅛	Action	s		7	87	11⅛	10⅞	11	
12	6⅛	Actons		11	13	25 52	7⅝	7½	7½	
8½	1½	Acm	wt			1	2½	2½	2½	
8	1⅞	AdmRs				15	2¾	2⅝	2⅝	−⅛
30⅞	17⅛	AdRusl	s.10	.5	11	21	18¾	17⅞	18¾	+⅜
28⅞	15	Adobe	.24	1.2	13	61	20	19½	19½	−½
5⅛	2⅞	AegisCp			12	99	3⅝	3½	3½	
7	4	Aeronca			6	128	4¾	4½	4½	−½
45	28¾	AffPub	.80	2.1	14	2	38⅝	38⅜	38⅜	−⅜
17½	8¾	AltSix	.08e	.8	7	11	10⅝	10½	10⅝	−⅛
15½	5⅞	AirExp				18	6¾	6⅝	6⅝	
6⅛	4	Alamc	n		10	225	5⅛	5	5⅛	+⅛
23⅝	11⅝	AlbaW	.15e	1.2	7	42	12⅞	12⅝	12¾	−⅛
12¾	3⅞	AlnTr	s			7	3¾	d3⅝	3⅝	−¼
14⅛	9⅛	AlmySt		1 4		4	14⅛	14	14⅛	
10½	6⅛	AlphaA	.48r	6.0		4	8	8	8	
28⅝	14¼	Alphein	.05	.4	19	69	14⅜	d14⅛	14⅛	−⅛
2⅞	1⅛	Altex				66	1⅜	1¼	1¼	
32½	11⅝	AlzaCp			118	149	13¼	12⅞	12⅞	−⅛
29⅜	14⅞	Amdhl	s.20	1.2	17	423	16½	15	16⅛	
25⅛	9⅛	Amedco	.08	.6	17	17	14⅛	14	14⅛	+⅛
7½	4⅛	AmBilt	.15	2.6	16	2	5¾	5¾	5¾	+¼
9⅝	2¾	AmCap			13	825	8½	8⅛	8¼	−½
39	28¼	AContrl	.92	3.0	9	6	31	30½	30½	−½
44⅛	15¼	AExp	wt			25	16⅜	d15½	15½	−⅞
11⅞	5⅞	Alsrael			2	40	6⅛	6	6	
19⅞	12⅞	AMzeA	.52	3.2	22	2	16⅛	16⅛	16⅛	−⅛
18⅝	12⅝	AMzeB	.52	3.3	22	3	16	16	16	−⅛
19⅝	2¼	AMBld	s			162	2⅝	2⅛	2⅝	
34½	27⅛	AMotin	.30	1.0	11	21	29½	29¼	29½	−⅛
60⅜	47⅛	AmPetf	3.20	5.4	12	70	59½	59¼	59½	−¼
8⅝	5⅛	AmPlan				29	6⅞	6⅝	6⅞	−⅛
20⅜	12½	APrec	.28	1.7	15	5	16¾	16½	16¾	+⅛
12⅜	4½	AScE				90	5	4⅞	4⅞	

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
32½	22¼	TraPc	1	4.4	8	129	23⅛	22½	22¾	
33	22⅛	Tribun	n .72	3.0	13	421	24⅝	d24	24	−½
11⅛	7⅛	Trico	.16	1.9	41	110	8⅝	8½	8⅝	
25⅝	15⅝	Trnty	.50	2.6	31	257	19¼	18¾	19⅜	+⅝
16⅞	7½	TriEng	.10	.7	11	8	15¾	15¼	15⅜	+⅛
41½	25½	TucsEP	2.60	6.9	7	296	38½	37⅜	37⅝	−¾
16¾	13½	TwlJ	n .49	3.6	11	26	13½	d13¼	13¼	−¼
23⅛	18¾	TwinDs	.80	4.0		10	20¼	20	20	−⅛
30	20¼	TycoLb	.70	2.6	12	116	26⅞	26½	26¾	+⅛
31½	22⅛	Tyler	.70	2.7	14	102	25⅞	24⅝	25¾	+1⅛
29	14	Tymshr				640	14⅝	d13⅛	13¾	−¼
		U-U-U								
41⅝	27⅞	UAL			7	4091	30½	28¾	29¼	−1
29⅝	23	UAL	pf2.40	9.8		682	24⅝	24¼	24½	
22⅝	17⅛	UGI	2.04	11	57	29	18⅝	18	18⅛	
25½	20½	UGI	pf2.75	13		z230	21¾	21¾	21¾	
18½	10	UMC	.60	3.6	18	57	16	15⅜	15⅜	−⅛
5⅜	3½	UMET	.31e	8.9	18	68	3⅝	3½	3½	−⅛
9¼	4½	UNCRes				163	4¾	d4½	4½	−¼

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

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Continued on Page 24

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a—dividend also extra(s). b—annual rate of dividend plus stock dividend. c—liquidating dividend. cld—called. d—new yearly low. e—dividend declared or paid in preceding 12 months. g—dividend in Canadian funds, subject to 15% non-residence tax. i—dividend declared after split-up or stock dividend. j—dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k—dividend declared or paid this year, an accumulative issue with dividends in arrears. n—new issue in the past 52 weeks. The high-low range begins with the start of trading. nd—next day delivery. P/E—price-earnings ratio. r—dividend declared or paid in preceding 12 months, plus stock dividend. s—stock split. Dividends begins with date of split. sls—sales. t—dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u—new yearly high. v—trading halted. vi—in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd—when distributed. wi—when issued. ww—with warrants. x—ex-dividend or ex-rights. xdis—ex-distribution. xw—without warrants. y—ex-dividend and sales in full. yld—yield. z—sales in full.

WORLD STOCK MARKETS

NETHERLANDS

Feb. 21	Price Fls	+ or −
ACF Holding	184.5	−0.5
AEGON	126	−3
Ahold	215.5	+1.5
AKZO	102.8	−1.5
ABN	397	−14
AMEV	158	−1.1
AMRO	73.5	−1.5
Brodero Cert	197.8	+0.3
Bos Kalis Westm.	48.8	−0.2
Buehrmann-Tet.	64.5	−1.2
Calland Hldgs.	57.7	+0.3
Credit Lyon'is Bk	88	−0.7
Elsevier-NDU	535	−15
Gist. Brocades	161	−1.8
Heineken	143.8	−1.5
Hoogovens	49.3	−2.1
Hunter Douglas	24.7	−0.2
Int Mueller	37	−1
KLM	176	−2.4
Naraden	42.2	−0.5
Nat Ned Cert	225	
Ned. Credit Bank	39	−0.3
Ned Mid Bank	170	−5
Nedlloyd	118	−0.2
Oce Grinten	235	+3
Ommeren (Van.)	30.1	+0.1
Pakhoed	69	
Philips	44	−0.7
Rijn-Schelde	4.5	+0.1
Robeco	329	−1.2
Rodamco	152.3	
Rolinco	311.8	−1
Rorento	201.9	−0.1
Royal Dutch	154.4	+1.4
Unilever	246.5	−0.6
VMF Stork	95	−3
VNU	154	+1
West Utr Bank	116	−4

NORWAY

Feb. 21	Price Kroner	+ or −
Bergens Bank	154	+1
Borregaard	240	+7.5
Christiania Bk.	154	−1
Den Norsk Credit	161	
Elkem	150	−1
Norsk Data	272.5	+2.5
Norsk Hydro	587.5	+1.5
Storebrand	199	+4

AUSTRALIA

Feb. 21	Price Aust $.	+ or −
ANZ Group	5.56	−0.06
Acrow Aust.	1.5	
Alliance Oil D.	0.84	−0.05
Ampol Pet.	1.67	
Aust Cons Ind	1.80	−0.05
Aust. Guarant	2.88	−0.03
Aust. Nat. Inds	2.51	+0.01
Aust. Paper	2.21	
Bell Group	6.10	−0.2
Bond Corp Hldgs	1.58	−0.02
Boral	3.35	
B'ville Copper	2.55	−0.03
Brambles Inds	3.05	−0.05
Bridge Oil	3.34	+0.04
BHP	13.80	−0.1
CRA	5.36	−0.08
CSR	3.82	−0.04
Carlton Utd	3.82	−0.01
Castlemaine Tys.	4.26	−0.02
Coles (G.J.)	3.76	−0.04
Comalco "A"	3.05	
Consolidated Pet	1.00	
Costain Aust.	1.3	
Dunlop Aust.	1.51	+0.01
E.Z. Inds.	5.64	
Elders IXL	4.3	
Energy Res.	1.55	−0.07
Gen Prop Trust	1.95	−0.02
Hardie (J.)	3.43	−0.02
Hartogen Energy	3.60	−0.05
HeraldW'y Times	3.1	
ICI Aust	2.20	
Jimb'lana 50cFP	0.36	
Kia Ora Gold	0.16	
Lend Lease	4.62	
MIM	3.33	−0.12
Mayne Nickless	2.53	−0.02
Meekatharra	0.85	
Myer Emp.	1.92	−0.02
Nat. Com. Bk.	3.55	−0.05
News	10.90	−0.1
Nicholas Kiwi	3.05	−0.04
North Bkn Hill	2.88	−0.04
Oakbridge	1.00	+0.01
Otter Expl.	0.73	−0.02
Pancont'l	1.22	+0.02
Pioneer Conc	1.65	−0.08
Reckitt & Coln	2.69	
Repco	1.23	
Santos	7.50	−0.05
Smith (H.)	4.10	−0.1
Southland Min'g.	0.32	
Spargos Expl.	0.44	
Thos. Natwide	2.10	−0.05
Tooth	5.00	
UMAL Cons.	3.68	−0.02
Vamgas	3.25	−0.05
Western Mining	4.05	−0.06
Westpac	3.62	−0.08
Woodside Petrol.	0.96	−0.02
Woolworths	2.55	+0.02
[illegible]	[illegible]	[illegible]

JAPAN (continued)

Feb. 21	Price Yen	+ or −
Konishiroku	656	−7
Kubota	315	−4
Kumagai	437	+6
Kyoto Ceramic	10,270	−140
Maeda Const	491	−2
Makino Milling	1,330	−10
Makita	1,100	−20
Marubeni	275	
Marudai	648	−12
Marui	1,150	
MEI	1,790	+30
M'ta Elec Works	656	+5
M'bishi Bank	765	−5
M'bishi Corp.	525	−3
M'bishi Elec	391	−1
M'bishi Estate	450	−1
MHI	237	
Mitsui Co	340	+1
Mitsui Estate	699	−1
Mitsukoshi	362	+4
NGK Insulators	640	−7
Nihon Cement	207	+2
Nippon Denso	1,480	+30
Nippon Elect	1,390	−10
Nippon Express	283	−1
Nippon Gakki	660	+10
Nippon Kokan	142	−2
Nippon Oil	1,020	+20
Nippon Seiko	556	+1
Nippon Shimpan	715	−5
Nippon Steel	165	+2
Nippon Suisan	313	+3
NTV	9,910	+110
Nippon Yusen	243	+2
Nissan Motor	705	−6
Nisshin Flour	440	−4
Nisshin Steel	180	+2
Nomura	733	+5
Olympus	995	−15
Omron Tateisi	1,870	
Orient Leasing	2,850	+40
Pioneer	3,450	+100
Renown	679	+7
Ricoh	1,020	+20
Sankyo	660	+4
Sanyo Elect.	543	+3
Sapporo	390	+2
Sekisui Prefab	550	−10
Seven-Eleven	8,120	−170
Sharp	1,240	+10
Shimadzu	540	
Shionogi	707	−1
Shiseido	956	−4
Sony	3,520	+20
Stanley	761	+16
S'tomo Elect	835	+5
S'tomo Marine	298	−3
S'tomo Metal	159	+1
Taihei Dengyo	525	+5
Taisei Corp	216	−2
Taisho Pharm	917	−3
Takeda	702	−3
[illegible]	[illegible]	[illegible]

CANADA · DENMARK · FRANCE · GERMANY · AUSTRIA · BELGIUM/LUXEMBOURG · ITALY · SPAIN · SWEDEN · SWITZERLAND · HONG KONG · JAPAN · SINGAPORE · SOUTH AFRICA: [illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

OVER-THE-COUNTER Nasdaq National Market closing prices

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Indices

NEW YORK-DOW JONES

	Feb 21	Feb 20	Feb 17	Feb 16	Feb 15	Feb 14	1983-84 High	1983-84 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	1138.34	1148.87	1148.87	1154.94	1158.71	1163.84	1286.64 (6/1)	1148.87 (17/2)	1287.2 (29/11/83)	41.22 (2/7/32)
Transport	496.53	502.31	502.31	509.86	506.75	514.07	612.63 (9/1)	502.31 (17/2)	612.63 (9/1/84)	12.23 (8/7/32)
Utilities	124.61	124.66	124.66	125.24	125.63	125.53	134.83 (6/1)	124.66 (17/2)	163.32 (20/4/69)	10.65 (28/4/42)
Trading vol 1000's†	7189	-	-	-	-	-	-	-	-	-

	Feb 17	Feb 10	Feb 3	(Year Ago Approx)
Ind div yield %	4.78	4.71	4.55	4.93

STANDARD AND POORS

	Feb 21	Feb 20	Feb 17	Feb 16	Feb 15	Feb 14	1983-84 High	1983-84 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	174.33	175.58	175.58	175.82	175.96	178.31	190.64 (6/1)	174.18 (13/2)	193.22 (23/6/83)	3.62 (30/6/32)
Composite	154.64	155.74	155.74	156.13	156.25	158.81	169.28 (6/1)	154.95 (13/2)	170.99 (23/6/83)	4.4 (1/6/32)

	Feb 8	Feb 1	Jan 25	Year Ago (Approx)
Ind div yield %	4.62	3.85	3.76	4.38
Ind. P/E Ratio	12.84	13.28	13.49	11.35
Long Gov Bond Yield	11.62	11.57	11.54	11.08

N.Y.S.E. ALL COMMON

Feb 21	Feb 20	Feb 17	Feb 16	1983-84 High	1983-84 Low
-	-	-	-	442.62 (6/1)	79.79 (24/1)

RISES AND FALLS

	Feb 21	Feb 20	Feb 17
Issues traded	982	1962	1962
Rises	521	622	622
Falls	71	902	902
Unchanged	480	438	438

MONTREAL

	Feb 21	Feb 20	Feb 17	Feb 16	1983-84 High	1983-84 Low
Industrials	413.13	415.96	416.49	417.82	451.46(6/1)	415.44(13/2)
Combined	398.14	400.86	401.38	402.44	433.87(6/1)	400.82(13/2)
TORONTO Composite	-	-	-	-	2585.7(6/1)	2400.0(30/1)

U.S. INDICES: CLOSING VALUES. YESTERDAY'S CANADIAN INDICES: LATEST AVAILABLE

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 23

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NEW YORK STOCK EXCHANGE CLOSING PRICES

Continued from Page 23

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LONDON STOCK EXCHANGE

MARKET REPORT

UK economic pointers tempt equity investors and index rebounds 6.8 to 819.3

Account Dealing Dates

	Option		
*First Dealings	Declara-tions	Last Dealings	Account Day
Feb 13	Feb 23	Feb 24	Mar 5
Feb 27	Mar 8	Mar 9	Mar 19
Mar 12	Mar 22	Mar 23	Apr 2

* "New-time" dealings may take place from 9.30 am two business days earlier.

Wall Street's extended week-end break for Washington's birthday gave UK investors the opportunity to concentrate more on encouraging domestic economic pointers and forget unsettling transatlantic influences, if only for the time being. Confirmation that the UK economy had grown by 3 per cent last year — the fastest rate for a decade — and was continuing to accelerate at a rate greater than originally anticipated, tempted equity investors away from the sidelines.

Demand was highly selective and dealers reported no great increase in the volume of business, but Monday's falls were nevertheless regained. At the second inter-hour calculation, the FT Industrial Ordinary share index had regained Monday's 3.7 loss and two hours later had increased the gain to 5.2. Thereafter, interest waned with the market nervously awaiting Wall Street's reaction yesterday to rumours of a U.S. opinion poll revealing a loss of popularity for President Reagan. A steady opening tone in New York subsequently helped to allay London fears and the 30-share index closed 6.8 up at the day's best of 819.3. The new FTSE index closed slightly below the best at 1,044.4, up 9.0, after 1,044.7.

Considerable early interest centred around the Financial sector, and the bank pitches in particular. The major clearing banks, subdued of late through fears that the Chancellor might impose a VAT-type tax on financial services in next month's Budget, responded smartly to revived buying. The upturn was exacerbated by stock shortages and gains soon stretched into double-figures. Hopes that the clearers would produce highly favourable results when the dividend season gets under way via Barclays on March 5 were also reflected in sentiment.

Insurances became more active with old U.S. bid favourites Phoenix and Hogg Robinson again showing to best advantage, but General Accident and Royals found support too, ahead of their respective preliminary statements, due in the next week or so. Bid situations either actual, or rumoured, also provided numerous features.

Banks below best

Gilt-edged investors preferred to look ahead to the possibility of lower UK interest rates in the spring and shrugged aside the more immediate threat of dearer U.S. money. Revived inquiries from Building Societies and other institutional sources abundant with funds saw the committal of fresh sums to both short and longer-dated Gilts. The latter achieved rises extending to ¾ with the £25-paid tap, Exchequer 9½ per cent 1988, moving to within ¼ of the price which the authorities, if bid, would be expected to supply stock. Shorter maturities traded more actively than recently and closed a maximum of ½ higher on the session.

Lloyds were the pick of the clearers, opening higher at 575p and improving further to 585p before closing a net 20 better at 585p. Barclays closed 10 dearer at 535p, after 540p, while NatWest added the same amount at 535p, after 540p. Midland were more subdued and closed only 5 higher at 405p. Bank of Scotland put on 15 to 660p in sympathy. Discount Houses continued to reflect takeover speculation. Smith St Aubyn firmed 3 to 60p following a Press suggestion that it will be the next house to receive an offer. Alexanders advanced 7 more to 572p, after 575p, for a gain of 119 since Mercantile House's agreed share-exchange, or cash alternative, offers were announced last Friday. Cater Allen put on 10 to 515p.

A firm Composite Insurance sector was featured by Phoenix which responded to revived U.S. takeover hopes and closed 10 better at 470p. GRE advanced 13 to 520p and Commercial Union improved 5 to 147p; the latter's preliminary figures were scheduled for next Wednesday but late yesterday CU announced they would be released today. Elsewhere, Hogg Robinson reflected bid speculation with a rise of 6 to 168p, while improvements of 10 and 12 respectively were seen in Hambro Life, 474p, and Pearl, 860p.

A favourable survey of prospects boosted Housebuilders in a generally firm Building sector. Barratt Developments rose 6 to 194p and Wimpey 4 to 159p, while McCarthy and Stone, which specialises in sheltered accommodation for the elderly, advanced 8 to 390p in a limited market. Elsewhere, Tarmac firmed 8 to 456p on news of a £36.8m Government contract to build a three mile section of the A1(M) at Hatfield, Herts. Nottingham Brick added 5 at 470p following the annual meeting, while Marchwiel gained 10 to 226p awaiting today's preliminary results.

Sporadic domestic buying in front of tomorrow's preliminary results left ICI a couple of pence dearer at 604p, after 606p.

Leading Stores closed a shade firmer for choice, sentiment benefiting from the relatively encouraging CBI/FT survey of distributive trades released over the weekend. Habitat Mothercare, the subject of a number of bullish circulars of late, advanced 6 to 290p, while Woolworth rose 5 more to 360p and Burton 3 to 223p. Mail-orders, due to reveal annual results in the next couple of months, attracted support. Empire rose 6 to 76p and Freemans 4 to 106p. French Connection again made headway and improved 15 more to 230p. Jewellers turned easier with James Walker non-voting ending 5 cheaper at 118p in the absence of bid developments. Ernest Jones fell 6 to 84p on disappointing preliminary results. Ladies Pride gained the turn to 50p, the effects of reduced annual profits and dividend being annulled by the confident view on current trading.

Among the Electrical leaders, Plessey came to life ahead of tomorrow's announcement of the third-quarter figures and ended 8 up at 224p. Racal were also noteworthy for a gain of 7 to 213p. Elsewhere, Standard Telephone and Cables, up 16 at 294p, took a distinct turn for the better following favourable Press comment on the preliminary figures. Microfocus advanced afresh to 770p before closing 20 higher at 740p after the bumper results and proposed £9m rights issue.

Leading Engineers put on a rather uninspiring performance. TI drifted a few pence lower to 242p with still no confirmation of rumoured stakeholders; the preliminary figures are due on March 15. Selective demand was evident for secondary issues. Linread rose 7 to 50p, while Prestwich Parker put on 4 to 47p. News of the planned acquisition of Rollstud, suppliers of high quality fastening to the oil, gas and petroleum industries, prompted a gain of 2 to 39p in F.H. Lloyd. Stothert and Pitt edged up 3 further to 161p awaiting Friday's interim statement. Brockhouse, in contrast, fell 5 more to 34½ following the Caparo rescue proposals; it was announced late yesterday afternoon that Oceanside Investments and associates had increased their holding in Brockhouse to 11.06 per cent.

Leading Foods attracted selective demand. Tate and Lyle firmed 7 to 385p and Rowntree Mackintosh rose to 254p before closing a net 4 up at 248p. Cadbury Schweppes hardened a couple of pence to 125p; the preliminary results are due on March 8. Dee Corporation put on 12 to 465p largely reflecting the efforts of a single buyer. On the other hand, Avana came under a certain amount of pressure and reacted to 482p before settling 15 down on balance at 455p.

The emphasis in Hotels switched back to leading issues after the recent speculative activity among secondary issues. Renewed support lifted Grand Metropolitan 5 to 355p, while Trusthouse Forte improved 4 to 210p. Elsewhere, De Vere rose 10 for a two-day gain of 23 to 298p in a restricted market.

BHP react

Broken Hill Proprietary, unsettled by the company's move to have the tender offer from Bell Resources frozen, reacted 26 to 904p. Datastream, a strong market following the good interim figures, encountered profit-taking and gave up 25 to 265p. Francis Industries tumbled to 91p on news that Suter Electrical had reduced its stake in the company from 26.03 to 25.13 per cent but rallied strongly to close only 3 cheaper on balance at 96p. In contrast, Armour Trust were actively traded and closed 8 to the good at 38p on talk of assets injection. Current bid favourites were well to the fore again, Metal Closures rising 9 to 165p, Bestwood 13 to 167p, and Booker McConnell 5 to 111p, after 113p. Gestetner "A" recovered after an early bout of profit-taking to close only a couple of pence cheaper at 105p, after 100p. Interest revived in Fobel, 10 higher at 120p. London and Liverpool became a steadier market at 15p, up 1, following the previous day's tumble on adverse Press mention. Trafalgar House, up 4 at 212p, reflected a report that the group might withdraw its offer for the troubled Scott Lithgow shipyard. Leading Miscellaneous Industrials were usually only a few pence better, but late support left Bowater 7 up at 264p.

London Pavilion were marked up 4 points to £15½ on news that Epicure had lifted its stake in the company to just over 29 per cent. Pavillion Leisure attracted revived support on "shell operation" hopes and gained 3 to 45p.

Motor Distributors continued to attract a fair measure of attention. Henlys traded in lively fashion but improved only a penny to 108p, after 110p, on the announcement that Avondale now holds almost 30 per cent of the equity; on Monday coachbuilders Coleman Milne acquired a near-15 per cent share from Henlys at 120p per share from QPR chairman Mr Jim Gregory. CM, now owned as to 35 per cent by British Car Auction, eased 4 to 62p. Lex Service advanced 13 to 383p on a reported bear squeeze in front of next month's preliminary results. T. Cowie held at 36½p following the agreed shares and cash offer terms for Hanger Investments valuing the latter at around 55p per share against the suspension price of 34p.

Trade journal publisher Metal Bulletin improved 11 to 128p following the annual results. Elsewhere, advertising issues again held the limelight. Valin Pollen, appointed by Reuters to handle the forthcoming public flotation, advanced 20 for a two-day gain of 38 to 195p, after 198p. Michael Peters were more volatile and touched 150p before settling only 4 dearer on balance at 141p; the interim results are due next Monday. Aidcom International advanced to 96p immediately after the increased annual profits and dividend but drifted back to finish a net 4 up at 91p.

Secondary issues provided the only noteworthy movements in Properties. Rosehaugh gained 10 to 370p on news that it had let nearly all of the Finsbury Avenue office building in London, while Greycoat City Offices, involved in the development of the offices, hardened a couple of pence to 164p. United Real rose 10 to 455p in response to more-than-doubled interim profits, while buying ahead of the preliminary figures, due early next month, lifted estate agents Bairstow Eves 8 to 100p.

Irish oils lower

Oils remained highly sensitive to rumoured developments in the Middle East. After a firm opening quotations drifted back on modest selling pressure prior to rallying in the after-hours trade. Closing levels were generally a few pence higher on balance. Ultramar were finally 10 firmer at 685p, while LASMO closed at the day's best of 325p, up 5, after 316p. Shell and Britoil were a similar amount to the good at 638p and 255p respectively. British Borneo, in which Consolidated Gold Fields holds a 26.4 per cent plus interest, rose 10 to 315p. Onshore explorers remained a firm market but Irish issues encountered persistent selling pressure at the outset, Atlantic Resources falling to 458p prior to a close of 465p, a net loss of 25, following a report that Gulf is experiencing further technical problems in the appraisal well drilled off the Irish coast.

Lonrho again attracted substantial covering by traded option operators and advanced to a new high of 149p before closing 6 dearer on balance at 146p.

Golds go ahead

The sale of a 31 per cent stake in Taiping Consolidated for 18.6m ringgit lifted Sime Darby a couple of pence to 83p; the interim results are expected March 3. Inch Kenneth, which controls sizeable estates adjacent to the Taiping estate, responded to Far-Eastern support and advanced 80 to 590p, while Hidong finished 11 up at 90p.

The bullion price and gold shares went ahead to their best levels this year as mining markets caught the scent of possible repercussions from the current turmoil in the Middle East.

Fears of a possible closure of the Strait of Hormuz and the latest Israeli involvement in the Lebanon prompted a $3.05 rise in the bullion price to $388.5 an ounce and encouraged further widespread demand for South African Golds.

A bullish Press article on gold and gold shares coupled with the Middle East situation ensured a strong opening in the sharemarket. Thereafter, persistent London and Continental buying and subsequent demand from the U.S. took share prices progressively higher until profit-taking pared gains in the late after-hours trading.

However, closing levels remained sufficiently strong to produce a further 15.5 gain to 632.4 in the FT Gold Mines index which registered its best level since September 28 last year.

Once again top quality heavyweights attracted the lion's share of the buying, especially Randfontein, which jumped £8½ to £104.

Financials and Platinums shared in the general upsurge with the UK-based Financials particularly buoyant. Rio Tinto-Zinc jumped 15 to 663p in the wake of strong demand connected with the traded options market. Gold Fields, due to report interim figures on March 6, advanced 16 to 590p, while Charter Consolidated edged up 5 to 247p and Hampton Areas hardened 2 to 225p.

Revived enthusiasm for Traded Options saw total contracts struck amount to 4,081. Lonrho were again to the fore with 1,000 calls done, 463 in the February 140's which spurted 5 to 7p. Commercial Union were also active in front of today's annual results and recorded 228 calls and 543 puts, with 200 of the latter done in the April 180's. Lasmo featured Oils, attracting 338 calls, with 109 struck in the February 300's. Mining issues also attracted a lively business with consequent gains in call premiums. RTZ February 650's advanced 10 to 17p, while Consolidated Gold Fields April 600 calls rose 8 to 26p.

FINANCIAL TIMES STOCK INDICES

	Feb. 21	Feb. 20	Feb. 17	Feb. 16	Feb. 15	Feb. 14	year ago
Government Secs	82.98	82.79	82.79	82.89	82.77	82.72	78.65
Fixed Interest	87.08	87.03	87.05	87.04	86.90	86.81	80.69
Industrial Ord.	819.3	812.5	816.2	817.9	816.6	812.1	642.4
Gold Mines	632.4	616.9	606.7	616.5	606.0	577.7	671.3
Ord. Div. Yield	4.49	4.53	4.51	4.50	4.51	4.53	5.04
Earnings, Yld.% (full)	9.39	9.46	9.43	9.41	9.42	9.45	10.78
P/E Ratio (net) (*)	13.03	12.93	12.98	13.01	12.99	12.95	11.16
Total bargains	20,532	23,164	22,529	21,406	24,006	25,099	24,904
Equity turnover £m.	—	204.11	267.22	212.66	281.19	253.64	220.93
Equity bargains	—	19,918	18,137	16,027	16,824	17,840	20,574
Shares traded (ml)	—	132.4	174.6	146.1	172.5	163.4	156.1

10 am 815.6. 11 am 816.2. Noon 817.2. 1 pm 817.7. 2 pm 817.7. 3 pm 817.7.

Basis 100 Govt. Secs 8/1/53. Fixed Int 1928. Industrial 1/7/35. Gold Mines 12/1/58. SE Activity 1974

Latest Index 01-246 8026.

* Nil = 12.23.

HIGHS AND LOWS

	1983/84 High	1983/84 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs	85.77 (9/1/84)	77.00 (24/1/83)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int	87.47 (30/1/84)	79.03 (11/2/83)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord	840.5 (25/1/84)	598.4 (12/1/83)	840.5 (25/1/84)	49.4 (26/6/40)
Gold Mines	734.7 (15/2/83)	444.6 (1/11/83)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Feb. 20	Feb. 17
—Daily		
Gilt Edged Bargains	169.0	157.3
Equities Bargains	129.1	117.5
Value	412.6	840.1
5-day Average		
Gilt Edged Bargains	155.9	155.2
Equities Bargains	120.9	123.6
Value	492.7	496.7

FTSE 100 INDEX

Close	1044.4	(+9.0)
Day's high	1044.7	(16.29)
Day's low	1038.4	(9.35)

(Base value =1000 Jan 3 1984)

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Henlys	19	107	+ 9
Brockhouse	16	39½	− 7½
London & Liv	15	14	− 4½
Micro Focus	14	720	+60
Std Tel & Cbls	14	278	− 6
Britoil	13	250	+ 2
Crystalate	13	240	− 4
Morgan Cms N	13	72	—
Border Brew	11	208	+16
BP	11	430	− 3
Extel	11	520	+25
Morceau New	11	129	—
LASMO	10	320	− 5
TI	10	244	—

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Armour Trust	38	+ 8
Britoil	255	+ 5
Cons Gold Fields	590	+16
Francis Inds	96	− 3
French Connection	230	+15
Plessey	224	+ 8
RTZ	663	+15
Rowntree Mackintosh	248	+ 4
Tate & Lyle	385	+ 7
Western Areas	425	+17
Westland	174	− 7
Wimpey (George)	159	+ 4

RECENT ISSUES

RECENT ISSUES
EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1983/84 High	1983/84 Low	Stock	Closing price	+ or −	Net Div.	Times Covered	Gross Yield	P.E. Ratio
‡‡	F.P.	—	25	14½	Aberfoyle Plants 5p	25	+½	—	—	—	—
‡58	F.P.	9/3	80	70	✠Assoc.Energy Ser.5p	73	.....	b1.0	3.9	2.0	15.0
¶93	F.P.	2/3	200	180	✠CML Micro'stems 10p	190	+2	b1.4	3.4	1.1	40.4
¶275	F.P.	2/3	340	271	Cable & Wireless 50p	337	+2	h5.47	3.5	2.3	14.6
‖ ‖	F.P.	—	95	88	✠Circaprint Hldgs 10p	90	.....	u0.7	7.7	1.1	12.6
‖ ‖	F.P.	—	255	200	✠Gibbs Mew	200	.....	4.66	1.6	3.3	26.1
§91	F.P.	24/2	98	94	✠GrosvenorSq.Pp.10p	98	.....	b5.0	2.3	7.3	7.3
§35	F.P.	23/3	42	39	✠Kent (John) 5p	41	−1	bg1.23	2.2	4.3	15.0
‖	F.P.	19/3	106	93	✠LPA Inds. 10p	93	−3	u2.45	2.5	3.8	14.9
§110	F.P.	3/4	131	129	Morceau Hldgs. 10p	131	+2	bg2.7	2.6	2.9	14.9
§60	F.P.	4/4	76	69	✠Morgan Comm. 5p	73	−1	bg1.85	1.7	3.6	25.7
§60	F.P.	—	70	64	✠Radio Clyde N/V	70	.....	3.0	1.4	6.1	16.3
§23	F.P.	22/3	27½	26	✠Sangers Photo. 10p	26	+1	bg1.25	1.8	6.9	11.8
—	F.P.	—	64½	61	Shires Ivn. Warrants	64½	.....	—	—	—	—
100	F.P.	27/1	95	85	✠Synterials 10p	85	.....	—	—	—	—
§105	F.P.	7/3	114	108	✠Unibond	109	..	b2.8	2.2	3.7	17.5
§110	F.P.	2/3	196	140	✠Valin Pollen Int'l. 5p	195	+20	1.6	3.1	1.2	39.7
§10	F.P.	31/1	19	16	✠Welpac 10p	16½	.....	bg0.2	4.1	1.7	17.8
§50	F.P.	9/3	54	44	✠Xyllyx 10p	46	−2	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1983/84 High	1983/84 Low	Stock	Closing price £	+ or −
¶ ¶	F.P.	—	106	105½	Atlanta Inv.Tst. 7% Cnv. Red. Cum. Prf.	105½	
¶ ¶	F.P.	9/3	103	101	BAT Inds. 12¼% Uns. Ln. 2003/08	103	+¼
¶ ¶	F.P.	—	100	99⅛	Do. Fltg. Rate Cap. Nts. 1986/90	100	
97.072	£25	1/7	26	25¼	Brixton Est.11½pc 1st Mort. Deb. 2023	26	+¼
* *	F.P.	30/3	111½p	108½p	Bulmer (H.P.) 8¾% 2nd Cum. Prf	109p	−1½
99.15	£25	22/3	27½	24¾	Elf (U.K.) 12¼% Uns. Ln. '91	27½	+½
99.714	£30	26/4	33⅜	30	Int. Bk. for Rec. & Dev. 11.5% Ln. 2003	32⅜	+½
‖	£30	10/11	48	30½	Lon. Shop Prop. 9pc Cnv. 94/99 Ser II.	42	....
§95.711	£25	15/6	25⅛	24½	MEPC 10¾pc 1st. Mort. Deb. 2024	24⅞	−¼
¶101	£10	14/3	10¼	10¼	Mid-Southern Wtr. 6¼% Red. Prf.1991	10¼	
—	F.P.	—	100⅛	100	Nationwide 10¼% Bds. 28/1/85	100⅛	
—	F.P.	—	100⅛	100	Do. 10⅛pc 18/2/85	100	....
§97.80	£25	12/7	25¾	25½	Province de Quebec 12¾% Ln. 2020	25¾	+¼
99.44	£25	13/4	27⅜	25¼	Queens Moat 12% 1st Mort. Deb. 2013	27¼	
100	F.P.	—	100¼	98¼	Rochdale Met. Bor. 11.10% Red. 2006	100	
¶ ¶	F.P.	30/3	102½	107¾	Slough Ests. 12½% Uns. Ln. 2009.	102½	+½
99.893	£30	21/3	32¼	32⅛	Spain 12% Ln. 1988	32⅜	+¼
98.50	£25	11/5	25½	25¼	TR City of London 11½pc Deb. 2014	25⅜	−¼

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1983/84 High	1983/84 Low	Stock	Closing price	+ or −
R28.20	F.P.	17/2	408	150	East Dagga	370	+40
150	F.P.	[illegible]	210	150	Do. Options	210	+65
[illegible]	F.P.	3/2	208	196	Ellis & Everard	200	
275	Nil	6/3	44pm	42pm	Higgs & Hill	44pm	+2
[illegible]	Nil	8/3	[illegible]	[illegible]	Greenwich Cable Comm.	[illegible]	
137	Nil	6/3	15pm	13pm	McCorquodale	15pm	
350	Nil	29/2	44pm	28pm	[illegible]	34pm	+2

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital: cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1984. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Allotment letters (or fully-paid). ‖‖ Introduction. ✠ Unlisted Securities Market. § Placing price. †† Official London Listing. ‖ No par value.

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Feb 20	Mar 2	May 31	June 11
Mar 5	Mar 16	June 14	June 25
Mar 19	Mar 30	June 28	July 9

For rate indications see end of Share Information Service

Stocks favoured for the call included Eglinton, Amstrad Consumer Electronics, Pavillion Leisure, Southern Resources, Automotive Products, Churchill, Selincourt, Premier Oil, Blackwood Hodge, Suter, Mersey Docks, Tricentrol, Berkeley Exploration, Yelverton, London and Liverpool, Chamberlain Phipps, Monarch Petroleum, Brooke Bond, Richardsons Westgarth, TI, Combined English Stores, Raybeck, Phoenix Assurance, James Halstead, Henlys, First National Finance, UKO, Armour Trust, Hawtin, STC and Bardsey. Puts were completed in GRA, RHM, London and Liverpool and North Kalgurli, while doubles were transacted in Amstrad, Low and Bonar, RHM and Chamberlain Phipps.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	87	5	11
Corpns. Dom. and Foreign Bonds	16	13	49
Industrials	313	191	909
Financial and Prop.	88	70	367
Oils	24	42	55
Plantations	6	2	12
Mines	65	27	79
Others	30	12	146
Totals	629	362	1,628

NEW HIGHS AND LOWS FOR 1983/84

NEW HIGHS (79)

BRITISH FUNDS (17)
Exchqr. 3pc 1984; Treas. 5pc '86-89; Treas. 3pc 1985; Treas. 10pc Cnv. 1990 (£65 pd.); Exchqr. 11¼pc '86; Fdg. 5¼pc '87-91; Treas. 3pc 1986; Exchqr. 11pc 1991; Treas. 8½pc '84-86; Exchqr. 13½pc 1994; Exchqr. 2½pc 1986; Exchqr. 13¼pc 1996; Exchqr. 2½pc 1987; Treas. 13¼pc 1997; Treas. 7¾pc '85-88; Treas. 15½pc 1998; Exchqr. 10pc 1989

CORPORATION LOANS (1)
Leeds 13½pc 2006

BANKS (3)
Alexanders Discount; Royal Bk. of Scot; Dawes (G. R.)

BUILDINGS (5)
Leech (Wm.); UBM; Marchwiel; Wimpey (Geo.); Nottingham Brick

CHEMICALS (2)
Coalite; Leigh Interests

STORES (4)
Combined English; French Connection; Freemans; Vantona Viyella

ELECTRICALS (5)
Hadland; Micro Focus; Newman Inds. 10pc Cnv. Pt. Pref.; Pressac; Tunstall Telecom

ENGINEERING (9)
Cartwright (R.); McKechnie Bros.; Cook (W.) (Sheff.); R.H.P.; Glynwed Internatl.; Stothert & Pitt; Linread; Wyndham Eng.; Lloyd (F. H.)

FOODS (1)
Low (Wm.)

HOTELS (2)
Queens Moat; Do 10½pc Cnv. Uns. Ln. 198-91

INDUSTRIALS (16)
Armour Trust; Extel; Assoc. Heat Serv.; Manch. Ship Canal; Bestwood; Marley; Black Arrow; Metal Box; Bridport-Gundry; Rolfe & Nolan; C.H. Industrials; Staffs. Potteries 10pc Cnv. Red. Pf.; Cookson; Dwek Group; Zygal Dynamics

MOTORS (1)
Armstrong Eqpt.

PAPER (2)
DRG; Peters (Michael)

PROPERTY (5)
Bairstow Eves; Prop. Partnership; Control Secs.; Trafford Park Ests.; Edmond Hldgs.

SHOES (1)
FII

TRUSTS (1)
Shires Inv.

OILS (1)
Marinex Pet.

OVERSEAS TRADERS (1)
Lonrho

PLANTATIONS (1)
Anglo-Indonesian

MINES (1)
Impala Platinum

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues Feb 21 1984: Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon Feb 20 Index No.	Fri Feb 17 Index No.	Thurs Feb 16 Index No.	Wed Feb 15 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (205)	[illegible]									
2 Building Materials (25)	[illegible]									
3 Contracting, Construction (32)	[illegible]									
4 Electricals (15)	[illegible]									
5 Electronics (24)	[illegible]									
6 Mechanical Engineering (64)	[illegible]									
8 Metals and Metal Forming (9)	[illegible]									
9 Motors (17)	[illegible]									
10 Other Industrial Materials (19)	[illegible]									
21 CONSUMER GROUP (196)	[illegible]									
22 Brewers and Distillers (23)	[illegible]									
25 Food Manufacturing (22)	[illegible]									
26 Food Retailing (12)	[illegible]									
27 Health and Household Products (9)	[illegible]									
29 Leisure (23)	[illegible]									
32 Newspapers, Publishing (15)	[illegible]									
33 Packaging and Paper (15)	[illegible]									
34 Stores (47)	[illegible]									
35 Textiles (19)	[illegible]									
36 Tobaccos (3)	[illegible]									
39 Other Consumer (8)	[illegible]									
41 OTHER GROUPS (83)	[illegible]									
42 Chemicals (16)	[illegible]									
44 Office Equipment (5)	[illegible]									
45 Shipping and Transport (14)	[illegible]									
46 Miscellaneous (48)	[illegible]									
49 INDUSTRIAL GROUP (484)	[illegible]									
51 Oils (16)	[illegible]									
59 500 SHARE INDEX	[illegible]									
61 FINANCIAL GROUP (121)	[illegible]									
62 Banks (6)	[illegible]									
63 Discount Houses (8)	[illegible]									
65 Insurance (Life) (9)	[illegible]									
66 Insurance (Composite) (9)	[illegible]									
67 Insurance Brokers (6)	[illegible]									
68 Merchant Banks (12)	[illegible]									
69 Property (53)	[illegible]									
70 Other Financial (18)	[illegible]									
71 Investment Trusts (107)	[illegible]									
81 Mining Finance (4)	[illegible]									
91 Overseas Traders (15)	[illegible]									
99 ALL-SHARE INDEX (747)	[illegible]									

FIXED INTEREST

PRICE INDICES	Tues Feb 21	Day's change %	Mon Feb 20	xd adj. today	xd adj. 1984 to date
British Government					
1 5 years	[illegible]				
2 5-15 years	[illegible]				
3 Over 15 years	[illegible]				
4 Irredeemables	[illegible]				
5 All stocks	[illegible]				
6 Debentures and Loans	[illegible]				
7 Preference	[illegible]				

AVERAGE GROSS REDEMPTION YIELDS	Tues Feb 21	Mon Feb 20	Year ago (approx)
1 British Government Low Coupons 5 years	[illegible]		
2 15 years	[illegible]		
3 25 years	[illegible]		
4 Medium Coupons 5 years	[illegible]		
5 15 years	[illegible]		
6 25 years	[illegible]		
7 High Coupons 5 years	[illegible]		
8 15 years	[illegible]		
9 25 years	[illegible]		
10 Irredeemables	[illegible]		
11 Debs & Loans 5 years	[illegible]		
12 15 years	[illegible]		
13 25 years	[illegible]		
14 Preference	[illegible]		

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series		May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
GOLD C	$350	—	—	7	56 B	—	—	$385.75
[illegible]								

TOTAL VOLUME IN CONTRACTS: 13,499

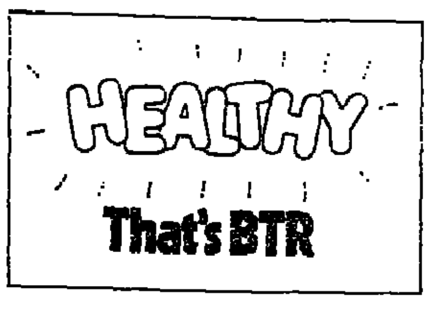
A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls July	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
B.P. (*430)	390	46	55	—	6	[illegible]	[illegible]
	420	28	35	42	20	[illegible]	[illegible]
	460	8	16	22	50	[illegible]	[illegible]
[illegible]							

Feb. 21. Total Contracts, 4,081. Calls 2,992. Puts 1,089.
* Underlying security price.

هكذا من الأصل



FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Bracketed figures show R.P.I. base month for indexing, i.e. 8 months prior to issue. R.P.I. for January 1984: 342.6

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, H.P. AND LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY—Continued

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS-Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—continued

Australians

[illegible]

Tins

[illegible]

Miscellaneous

90	34	Anglo-Dominion	70	....	—	—	—
93	48	Anglo Utd. Dev.	50	....	—	—	—
400	180	Centenial Minerals	300	-2	—	—	—
175	60	Colby Res Corp.	140	....	—	—	—
850	315	Cons. Murch. 10c.	808	+3	100c	ϕ	7.3
£17½	£10⅛	Eastern Trans Cons 50c	£17	....	085c	4.9	2.5
240	170	Hampton Areas 10p	225	+2	3.75	2.1	2.2
215	103	Highwood Res.	190	....	—	—	—
£24½	£17½	Homestake Mining $1	£22½	....	Q20c	—	0.7
495	275	Northgate C$1	280	+5	—	—	—
687	437	R.T.Z.	663	+15	17.0	2.9	3.7
£148½	£108	Do.3½%Cv.Ln.'95-2000	£144½	+½	3½%	32.5	6.6
190	13	Sabina Inds C$1	94	-9	—	—	—
£11¾	312	Tara Expln. $1	£10	...	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- • "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Principal and interest tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK Listed; dealings permitted under Rule 163(4)(a).
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(3).
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend, cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▯ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Issue price. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or other official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv. 20p	76	...	Fin. 13% 97/02	£97⅝	...
Craig & Rose £1	900	.....	Alliance Gas	85	.....
Finlay Pkg. 5p	46	.....	Arnott	217	....
Higsons Brew	98	+5	CPI Hldgs	84	...
Holt (Jos) 25p	89C	...	Carrol Inds	116	.....
I.O.M. Stm. £1	125	.....	Hall (R. & H.)	61	.....
			Heiton Hldgs	25	.....
IRISH			Irish Ropes	54	...
			Jacob (W. & R.)	67	...
Exch. 12% 1985	£99	...	T.M.G.	70	....
Nat 9¾% 84/89	£86¼	...	Unidare	77	

For Bridgewater see Property

OPTIONS

3-month Call Rates

Industrials		House of Fraser	21	Vickers	12
Allied Lyons	13	I.C.I.	45	Woolworth Hlg	35
BOC Grp	20	"Imps"	12		
B.S.R.	18	I.C.L.	6	**Property**	
Babcock	15	Ladbroke	21	Brit. Land	9
Barclays Bank	45	Legal & Gen.	45	Cap. Counties	15
Beecham	28	Lex Service	35	Land Sec.	34
Blue Circle	40	Lloyds Bank	50	MEPC	24
Boots	17	"Lofs"	3	Peachey	17
Bowaters	22	London Brick	10	Samuel Props.	12
Brit. Aerospace	19	Lucas Inds.	26	Sterling Guar.	4
B.A.T.	14	"Mams"	12		
Brown (J.)	3	Mrks. & Spncr	20	**Oils**	
Burton Ord.	38	Midland Bank	42		
Cadburys	11	N.E.I.	10	Bristol Oil & Min	6
Courtaulds	11	Nat. West. Bank	55	Brit. Petroleum	35
Debenhams	14	P & O Dfd.	22	Burmah Oil	16
Distillers	20	Plessey	20	Charterhall	8
Dunlop	5	Racal Elect.	10	Premier	5
Eagle Star	60	R.H.M.	7	Shell	50
F.N.F.C.	6½	Rank Org. Ord.	19	Tricentrol	20
Gen. Accident	42	Reed Intnl.	34	Ultramar	60
Gen. Electric	17	Sears	8		
Glaxo	75	T.I.	14	**Mines**	
Grand Met	5	Tesco	16		
G.U.S. 'A'	55	Thorn EMI	55	Charter Cons.	22
Guardian	45	Trusthouse	16	Cons. Gold	50
G.K.N.	16	Turner & Newall	8	Lonrho	8
Hawker Sidd.	32	Unilever	75	Rio T. Zinc	58

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 27

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

Insurances—continued

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar. 0707 142311
Pension Funds

EqPenFdAcc	649.8	682.6	+0.5	—
Euro Fd Acc	99.8	105.0	+0.4	—
FixedPenAcc	431.2	453.8	+1.6	—
GtMnPnAcc	254.4	267.8	....	—
Intl Man Fd	257.2	270.7	−0.3	—
Jap Pen Fd	130.7	137.5	−0.2	—
AmPnFdAc	116.3	122.3	−0.4	—
MpIInPnAcc	533.6	561.6	+0.2	—

Colonial Mutual Group
24 Ludgate Hill, EC4P 4BD. 01-248 9861
Capital Life Assurance

Key Inv Fd	—	127.95	....	—
Pcmkr Inv Fd	—	126.46	....	—
Equity Fd	109.86	115.64	....	—
Fxd Int Fd	105.63	111.21	....	—
Prpty Fd	102.02	108.44	....	—
Cash Fd	101.43	106.77	....	—
Managd Fd	111.37	117.23	....	—

Col Mut Life (Pension Annuities)

MdPnCoA/B	99.30	104.54	....	—
MdPalavA/B	99.57	104.82	....	—

Commercial Union Group
St Helens, 1 Undershaft, EC3. 01-283 7500

VarAmAcFb18	—	157.86	....	—
VarAnnFb24	—	34.39	....	—

Prime Series—Life

Managed	133.0	140.0	+0.3	—

[illegible]

Offshore & Overseas—continued

[illegible]

Tyndall-Guardian Management Ltd
PO Box 1256, Hamilton, Bermuda.

T-G Amer	$20.10	−0.3	—
T-G Money	$22.29	+0.03	—
T-G Eurobond	$15.88	+0.02	—
T-G Commodity	$20.92	−0.12	—
T-G Mortgage	C$20.72	+0.04	—
T-G Overseas	$12.00	+0.13	—
T-G Pacific	Y2145	−7	—
T-G Wall St	$24.29	−0.17	—
T-G Gold	$9.40	+0.09	—

United Fund Managers Ltd
16-18 Queens Road Central, Hong Kong 5-231412

$&MlyT	$11.25	11.75	....	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg.

Dynamic Gwth Fd	$10.04	+0.02	—

Money Market Trust Funds

	Nom	APR	Int cr	Notice
Mellinhall Ltd 36 Berkeley Sq. W1X 5DA. 01-499 6634				
MelhallMyFd	8.85	9.18	Qtr	Call
The Money Market Trust 63 Qn Victoria St EC4N 4T. 01-236 0952				
Call Fund	8.84	9.07	6mth	Call
7-day Fund	8.92	9.16	6mth	7day
Oppenheimer Money Management Ltd 66 Cannon St. EC4P 4ST. 01-236 0232				
Call Fund	8.76	8.95	6mth	Call
7-day £	8.81	9.00	6mth	7day
HighIntDpAcc	8.76	8.95	6mth	1day
Dollar	8.56	8.74	6mth	2day

Money Market Bank Accounts

	Nom	APR	Int cr	Notice
Aitken Hume 1 Worship St. EC2A 2HQ. 01-638 6070				
Treasury Acc	8.875	9.175	Qtr	Call
Month Acc*	8.80	9.16	Mth	Call
Bank of Scotland 38 Threadneedle St. EC2P 2EH. 01-628 8060				
Cheque Acc*	8.80	9.16	Mth	Call
Britannia Gp of Investment Companies 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cator Allen*	8.75	9.245	Mth	Call
Charterhouse Japhet PLC 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling*	9.00	9.38	Mth	Call

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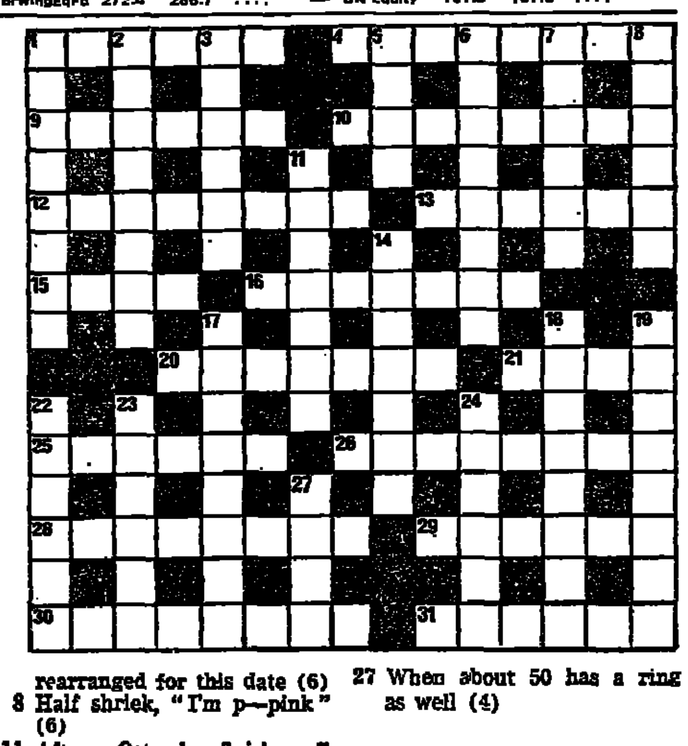
F.T. CROSSWORD PUZZLE No. 5,349



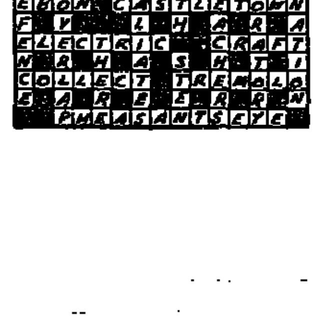
ACROSS

1 Revenue for a company in mine workings (6)
4 When moving files, Les is sluggish (8)
9 Flies' front legs removed at retirement festivity (6)
10 Goodman telephoned Elizabeth, a visitor (8)
12 Famous mother detailed to sit around for a man in the nude (8)
13 Attacked him (6)
15 *Seldom encountered* the Gunners again (4)
16 Handled in a patient manner (7)
20 Talk about American singer's first record to start with (7)
21 In a big heater it's hard to avoid (4)
25 A fabulous flier, but his wings got overheated! (6)
26 Unaware one gets an allowance *on going back inside* (8)
28 Thoroughly enthusiastic, I left to join in (8)
29 Street artist back at the rock beds (6)
30 Sweet fruit to leave out (8)
31 Forge a very common name with your initial (6)

DOWN

1 Child on railway fighting men (8)
2 Being chefs first, cooks are true (8)
3 Friend, your 50 per cent put in becomes due for repayment (6)
5 Jot a letter to No 25, perhaps (4)
6 He inspects things cut up *by a coalman* (8)
7 A forgotten high tea is rearranged for this date (6)
8 Half shriek, "I'm p—pink" (6)
11 After Ostend, finish off sumptuous bird (7)
14 Years after, get through the course (7)
17 Placed it before the university head instead, maybe (8)
18 Bird found in rustic Holyhead (8)
19 A continental firm is tottering (8)
22 Plan to cover his strange misfortune (6)
23 Handy food (6)
24 Communication *system for* the two rat-catchers (6)
27 When about 50 has a ring as well (4)

Solution to Puzzle No. 5,348



INSURANCE & OVERSEAS MANAGED FUNDS

Black Horse Life Ass. Co. Ltd.
71, Lombard St., EC3 01-623 1288

Black Horse Man Fd.		250 72		—
Managed Inv Fd	167 73	176.56		—
Property Fd.	153.12	161.18		—
Fixed Interest Fd	148.81	156.65		—
Cash Fd	137.97	145.24		—
Income Fd.	196.83	207 19		—
Extra Income Fd.	188.24	198.15	...	—
Worldwide Growth Fd.	236.57	249.03	...	—
Balanced Fd	195.32	205 60	...	—
Smlr Co's & Recv Fd	222.01	233.70	.....	—
Int. Technology Fd	270.21	284.44	.....	—
Nth. Amer & Gen. Fd	160.43	168.88	.....	—
Energy Int. Fd.	111.90	117.79	.....	—
Pacific Basin Fund	160.26	168.70	.....	—

British National Life Assurance Co. Ltd.
Harlands Rd, Haywards Heath. 0444 414111

Managed	116.7	122.8	.....	—
Property	119.6	125.9	.....	—
Equity	126.2	131.8	.....	—
International	129.4	136.2	.....	—
Fixed Interest	103.9	109.3	.....	—
Deposit	101.1	106.4	.....	—
Managed Pen. Cap.	116.4	122.5	.....	—
Property Pens. Cap.	120.5	126.9	.....	—
Equity Pens. Cap.	120.0	126.3	.....	—
Intnl. Pens. Cap.	133.2	140.2	.....	—
Fixed Int. Pens. Cap.	100.0	105.3	.....	—
Deposit Pens. Cap.	98.2	103.4	.....	—

Canada Life Group
2-6, High St., Potters Bar, Herts. P. Bar 51122

Equity Gth Jan 31		107.1	.....	—
Retmt. Fed. Jan. 6		280.3	.....	—
Managed Pen Fund	187.5	197.4	.....	—
Property Pen Fund	117.7	123.9	.....	—
Index Lnkd Pen Fund	112.6	118.5	.....	—
Managed	127.6	134.4	+0.3	—
Property	106.3	111.9	.....	—
Gilt and Fixed Interest	108.8	114.4	+0.3	—
Index-Linked	97.3	102.5	-0.7	—
Equity	128.2	135.0	+0.6	—
Cash	106.4	112.0	.....	—
Midland Bk. Unit Tst.	126.2	132.9	+0.3	—
Midland Bank Intnl.	144.9	152.6	-0.3	—

Cannon Assurance Ltd.
1 Olympic Way, Wembley HA9 0NB. 01-902 8876

Equity Units	£40.28	—	-0.04	—
Property Units	£17.47	—	+0.02	—

G.T. Management Ltd.
16 Finsbury Circus, Lond EC2M 7DJ 01-628 8131

G.T. Plan Bond Fund	124 0	130.6		—
GT Pln High Yld Fnd	130 4	137.3	+0.2	—
GT Plan Far East Fnd	126 7	133.4	+0.6	—
GT Plan N. Am Fd.	124 9	131.5	-0.8	—
GT Pln UK&G.E. Fnd	148.2	156 1	-0.3	—
GT Pln Wrldwde Fnd.	146 2	153.9	-1 6	—
GT Pension Bnd Fnd.	135 7	142.9		—
GT Pen High Yld Fd	150.0	157.9	+0.3	—
GT Pen Far East Fd	156.7	165.0	+0.7	—
GT Pen N. Am Fd.	175.1	184.4	-1.6	—
GT Pen UK & G.E. Fd.	171 5	180.6	-0.3	—
GT Pen Worldwide Fd.	156.9	165.2	-1.8	—

Prices for Accum. Units only.

Assicurazioni GENERALI S.p.A.
117, Fenchurch St., EC3M 5DY. 01-488 0733
Intl. Managed Bond 172 0 | 181.1 | ... | —

General Portfolio Life Ins. C. Ltd.
Crossbrook St., Cheshunt, Herts. Waltham X 31971
Portfolio Fd. Acc. 268.8 | —
Portfolio Fd. Init. 218.8 | —
See adjacent page Mon-Fri and Stock Exchange Dealings page Sat

Gresham Unit Ass. Ltd.
2-6, Prince of Wales Rd. B'mouth. 0202 767655

Managed Fd.	276.5	291.4	.....	—
Money Fd	157.4	165.7	.....	—
Equity Fd	233.5	246.1	.....	—
Fixed Int. Fd	119.5	125.9	.....	—
Property Fd	175.4	184.8	.....	—
Managed Pen. Fd	271.6	286.2	+2.5	—
Equity Pension Fd	175.1	184.5	.....	—
Fixed Int. Pen. Fd	168.6	177.7	+1.3	—
High Yield Pen. Fd	166.4	175.3	+1.1	—
Money Pension Fd	131.4	138.3	+0.2	—
Property Pension Fd	129.3	136.2	.....	—
Gresham/Frazlington				
American & Gen. Fd.	221.1	233.0	-1.2	—
Income Fd	206.7	217.8	.....	—
Int'l. Growth Fd	259.5	273.4	+0.9	—
Capital Fund	214.9	226.4	+0.3	—
Recovery Fund	161.3	170.0	-0.3	—
Japan & Gen Fd	96.2	101.4	+0.1	—

Growth & Sec. Life Ass. Soc. Ltd.
48, London Fruit Exchange, E1 6EU 01-377 1122

Flexible Finance	1,536	—	.....	—
Landbank Secs.	76.674	—	.....	—
Landbank Secs. Acc.	189.2	194.1	.....	—

OFFSHORE AND OVERSEAS

COMMODITIES AND AGRICULTURE

Freight futures plan discussed

BY JOHN EDWARDS

THE introduction of a freight rate futures contract in London is being discussed by a joint working party from the London Commodity Exchange, the Baltic and the Grain and Feed Trade Association, it was announced yesterday.

London is anxious to push ahead with the project as it is known that other futures trading centres, including New York and Chicago, have been looking at the details of a freight rates futures market.

However, London has the advantage of the long-established Baltic Exchange, which sets international shipping freight rates.

Mr Richard Hunt, a member of the Baltic Exchange board, and Mr David Anderson, vice-chairman of the London Commodity Exchange, are joint chairmen of the committee working out details of the proposed market.

Their main task will be to sort out a workable index on which to base the futures contract. However, the announcement on Monday by the London International Financial Futures Exchange (Liffe) that it plans to introduce futures trading on the new FTSE share index sets an encouraging precedent.

Until now it has been feared that futures trading on an index-based contract, with a cash settlement, would come under the provisions of the Gaming Act as no physical delivery was being made and therefore it would not be viable.

Evidently the committee, which is due to report back in March, is hopeful that this problem can now be overcome. If so, a target starting date, probably sometime in 1985, is likely to be set.

There is apparently considerable interest among commodity traders and the shipping industry in establishing a freight rate futures contract that would enable them to protect themselves against unpredictable freight rate fluctuations and "fix" forward rates.

Philippine copper curb

BY EMILIA TAGAZA IN MANILA

THE Philippine Government yesterday restricted the export of copper by requiring all copper producers to obtain prior clearance from the Ministry of Trade and Industry before making any copper shipments.

President Ferdinand Marcos issued the order, saying the move will ensure a continuous and sufficient supply of copper concentrates to the newly opened Philippine Associated Smelting and Refining Corporation (Pasar).

The $220m Pasar project, located in the central Philippines, started operations only in May last year, but local producers have preferred to ship their copper concentrates to Japanese smelters, who, they say, charge lower smelting fees than Pasar.

The Philippines, with an average annual output of 300,000 tonnes, ranks seventh among the world's copper producers. But unlike other producer countries, it has never had its own smelter before Pasar. Most of its copper concentrates were shipped to Japan and comprise 40 per cent of the feedstock used by Japanese smelters.

Futures exchange finds a new home

By John Powers in Chicago

THE Mid America Commodity Exchange began trading at its new premises yesterday in the cavernous 12-year-old structure formally occupied by the Chicago Mercantile Exchange.

The Mid America, smallest of the three Chicago futures exchanges, tripled more than its floor space at its new site, which has a 30,000 sq ft trading floor.

The exchange has about 300 active members, out of a membership of more than 1,000. It specialises in trading smaller versions called mini contracts that are traded on other futures exchanges in the U.S. The Mid America trades 17 futures contracts, including corn, wheat, soya, beans, oats, cattle, hogs, domestic refined sugar, precious metals, U.S. Treasury bonds, U.S. Treasury Bills and five foreign currencies. It will add five new futures contracts which are awaiting approval from the Commodity Futures Trading Commission.

Mr David Morgan, Exchange President, said yesterday that the Mid America plans to launch an education programme in the next few months to increase hedging from medium sized agricultural producers. "Less than 10 per cent of all farmers in the U.S. use hedging as a marketing vehicle," Mr Morgan said. In 1983 a survey of commodity traders found that more than 45 per cent held between $5,000 and $10,000 in a futures trading position. Such a small amount of capital would allow trading of only one or two large contracts at other exchanges, Mr Morgan said, but the Mid America's mini contracts would permit the same amount of capital to be spread in several different futures contracts.

Mary Cherry reports on a country which is increasing its tree cover

Putting the forests back into China

NO ONE could fail to be impressed by the numbers of young trees now to be seen in China and the vigour and determination with which millions more are being planted. Mile after miles of roads are flanked with poplars, willows or other local trees two or three rows deep and the hillsides are marked with the contour trenches or deep dug pits which indicate that gangs of tree-planters have been at work.

The Chinese government has taken to heart the need to halt the erosion of vulnerable soils such as the great area of fertile loess plateau in the north, and to protect good agricultural land from having sand deposited on it by the wind. Trees are being recognised also as having an important function in rehabilitating saline soils. There is, too, a widespread need for fuel wood.

By law, every man, woman and child must plant between three and five trees a year regardless of who they are or where they live, I was told by one professional woman whose home is in Beijing. Even babies have to have trees planted in their name.

China must be one of the few countries of the world — certainly of the poorer countries — that has actually increased its forest cover during the second half of this century. In 1949 the forest cover was put at only 8.6 per cent. Now it is estimated to be 120m hectares or about 12.7 per cent, but this is recognised as being not enough.

Considerable assistance and incentive have been given since September 1981, when a top level policy decision was announced giving priority to forestry planting. The annual target indicated was 3m to 3½m hectares of trees in the north and north-west, where the main need lies. It is estimated that it will take 20 years at this rate to provide adequate protection and enough wood production.

Among the various programmes launched are the Four Sides Scheme and the Three North Shelterbelt System.

The "three north" project resulted from the 1979 Forestry Act and the national conservation plan and encourages forestry and pasture development in 11 provinces of north, north-west and north-east China. The government is providing seed and saplings.

A lead area within this project is Ningxia Hui Autonomous Region on the loess plateau. Its population is mainly Moslem and it is among the poorer parts of the country, particularly down in the hilly area south of the region. This is also a food deficit area and therefore the people working on the project here are getting assistance from the UN World Food Programme.

In the more mountainous parts, the communes' work teams are planting Chinese pine and Prince Rupert larch; on the eroded loess hills there are drought-resistant species such as the Black Locust, which are good for fuel and fodder.

In the lower agricultural areas crop yields are poor and the policy is to plant part of it with trees and then try to improve the slightly better lands and raise production by concentrating effort and resources there. The trees, which also shelter the agricultural land, are local types of poplar and willow, intercropped with a shrub which provides useful fodder, fertiliser and materials for making baskets.

The "four-side" programme, which means planting on roadsides, field sides, canal sides and house sides, includes poplar, elm and willow for timber and fuel, some apples and a local spice. All leaves are collected to use either as fodder for animals or as fuel to heat the typical northern Chinese beds which are platforms with fires underneath which are stoked from outside.

World Food Programme commodities, mainly wheat, are given as family rations to the workers doing the land preparation and tree planting on mountains and hills as part payment for their labour. They get part while the work is being done and the balance after the work has been inspected for a satisfactory rate of survival of the trees. WFP food is also given to families as compensation for planting part of their crop land with trees.

In another WFP-supported project in Shandong Province, areas of trees and shelter belts are being planted to hold the sandy soil and prevent it blowing on to good crop land. Sand encroachment has been serious because of previous deforestation. Over the past five years or so, the sandy area has increased by about 1,400 hectares.

The overall plan is to plant an 80-km long shelter belt of quick growing species and thus reclaim some 10,000 hectares of land over a four-year period. When I visited in November, the second tree-planting season of the project was in full swing with large numbers of people making tremendous efforts to get as many young saplings as possible firmed into the ground while conditions were right.

"November is tree-planting and family planning month," I was told. The phrase summed up how China is trying to restore its land to meet the needs of its population, and restrict its population to the limits dictated by its resources.

Muldoon describes CAP as 'economic lunacy'

BY RICHARD MOONEY

THE EEC's common agricultural policy (CAP) is "economic lunacy," Mr Robert Muldoon, the New Zealand Prime Minister, said in London yesterday.

Asked at a Press conference whether his country's demand for EEC access for up to 90,000 tonnes of butter was justified by traditional rather than economic reasons, he said: "It is tradition that has brought New Zealanders here time and time again to get killed for European reasons.

"The common agricultural policy is economic lunacy. If you are talking about hard economic reasons then you would be buying New Zealand meat and butter."

If the EEC barred New Zealand butter it would have to be sold on the world market, he said. This would depress prices and result in the EEC having to pay out more in export subsidies on its own surplus production.

"The EEC is a political structure, not an economic structure," Mr Muldoon declared.

He called on the Common Market to adjust the CAP so that more cheap produce could be imported instead of producing it inefficiently and uneconomically within the EEC.

He hoped plans to reform the CAP would result in an improvement in the terms of trade but feared it might include a further "turn of the screw" on quotas and levies for New Zealand products.

Slide continues in cocoa futures

By Our Commodities Staff

THE SLIDE in London cocoa futures prices was resumed yesterday as reports circulating in the market suggested that Ghana's 1983-84 crop could be as high as 160,000 tonnes. This would be some 30,000 tonne higher than the outturn generally perdicted only a few weeks ago.

The May futures position ended the day £43 down at £1,696.50 a tonne, £334.50 below the 5-year peak reached at the beginning of this year.

● HULL and Grimsby councils have commissioned management consultants Urwick, Orr and Partners to examine the particular problmes of the fishing industry in the twin ports.

The project, which is to be EEC funded, is designed to establish the cause of the decline in the fishing industry in the last decade and to make recommendations on how to recreate jobs and prosperity.

● MORE than 149m litres of French wine were exported to the UK last year, up 18m litres from the preceding year.

● THE castorseed crop in the main Brazilian producing state of Bahia and other areas in the north east is suffering badly from lack of rain, causing estimates for Brazil's total crop to be cut to around 205,000 tonnes from a previously expected 250,000.

● THE first pure American Holsteins for Northern Ireland are scheduled to arrive in Co Down from Germany in the near future. In addition, three Canadian Holstein heifers have been bought for Northern Ireland from the Roybrook herd in Toronto.

● THE international conference of Timber Trading '84 onwards will be held at the Royal Garden Hotel, London, on March 6.

PRICE CHANGES

In tonnes unless stated otherwise	Feb. 21 1984	+ or —	Month ago
Metals			
Aluminium	£1100	....	£1100
Free Mkt	$1550-1560	—10	$1580/610
Copper			
Cash h Grade	£998.5	—5.25	£963.75
3 mths	£1020.75	—2.75	£988.25
Cash Cathode	£988.75	—2	£957.5
3 mths	£1008.75	—2.5	£975.5
Gold troy oz.	$388.5	+3.05	$365.125
Lead Cash	£284.25	—1.5	£273.5
3 mths	£293.87	—0.88	£282.75
Nickel	£5025.64	....	£4945
Free Mkt	205/225c	....	208/228c
Palladium oz	$161.25	+0.5	$155.25
Platinum oz	£271.55	+0.80	£264.40
Quicksilver†	$290/300	....	$302/308
Silver troy oz	639.30p	+7.70	569.80p
3 mths	653.65p	+7.70	582.80p
Tin cash	£8605	—30	£8667.5
3 months	£8742.5	—23	£8810.5
Tungsten	$75.07	....	$74.41
Wolfram 22.04 lb	$75/79	....	$74/78
Zinc	£575.5	....	£588
3 mths	£569.75	+0.5	£584.25
Producers	$1,050	....	$1010

	Feb. 21 1984	+ or —	Month ago
Oils			
Coconut (Phil)	$1180v	—5	$1120
Groundnut	‡	....	$1050
Linseed Crude	£397	....	£444
Palm Malayan	$690x	—10	$645
Seeds			
Copra Phil	$740w	—15	$725
Soyabean (U.S.)	$296.5z	....	$311.60
Grains			
Barley Fut. May	£120.10	—0.75	£121.05
Maize	£147.00z	....	£147.00
Wheat Fut. May	£124.00	—0.55	£122.60
No 2 Hard Wint	‡	....	‡
Other commodities			
Cocoa ship't*	£1755	—48	£2049
Futures May	£1696.5	—43	£1965.5
Coffee Ft. May	£1935.5	+1.5	£2096.5
Cotton A Index	87.00c	+0.35	87.75c
Gas Oil Mar	$243	—0.75	$256.5
Rubber (kilo)	83p	+0.75	88p
Sugar (raw)	£112.5vu	—0.5	£131
Woolt'ps 64s	472 pkilo	....	454pkilo

‡ Unquoted. u April. z March. x May. v Feb-March. w March-April. † Per 75 lb flask. * Ghana cocoa. n Nominal. c Cents per pound.

LONDON OIL

Speculative buying on Middle East uncertainty pushed the gas oil market higher through the morning and early afternoon. A failure to follow-through on the upside prompted liquidation and prices dropped back to close near the lows, reports Premier Man.

CRUDE OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per brl		
Mar	—	—	—
Apr	30.25	—0.25	—
May	29.80	+0.18	—
June	29.55	—0.35	29.80
July	[illegible]	[illegible]	—
Aug	[illegible]	[illegible]	—

Turnover: 4 (4) lots of 1,000 barrels.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	28.40-28.55	+0.02
Iranian Light	27.60	—0.02
Arab Heavy	26.55-26.65	—
North Sea (Forties)	29.55-29.70	+0.1
North Sea (Brent)	29.60-29.75	—
African (Bonny Li'ht)	29.65-29.85	+0.03
PRODUCTS—North West Europe ($ per tonne)		
Premium gasoline	269-274	+1
Gas Oil	253-256	+1
Heavy fuel oil	171-176	+1.5

GAS OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Feb	245.00	+0.50	248.00-245.0
Mar	243.00	—0.75	246.50-242.5
April	239.50	—0.25	245.00-239.5
May	237.00	—	239.50-236.7
June	236.00	—0.75	238.75-236
July	237.00	—1.00	239.50-237.2
Aug	238.75	—0.25	241.00-238.7
Sept	240.50	—	242.00-241.0
Oct	243.25	—	—

Turnover: 2,349 (346) lots of 100 tonnes.

GOLD MARKETS

Gold rose $3.05 an ounce from Monday's close in the London bullion market yesterday to finish at $388¼-388¾. The metal opened at $385¾-386¼, which proved to be the day's low, and reached a high of $390-390½ at one point.

In Frankfurt the 12½ kilo bar was fixed at DM 33,870 per kilo ($389.03 per ounce) against DM 33,305 ($384.99) and closed at $389½-390.

In Paris the 12½ kilo bar was fixed at FFr 104,250 per kilo ($388.04 per ounce) in the afternoon compared with FFr 104,250 ($388.09) in the morning and FFr 102,500 ($384.50) on Monday afternoon.

In Luxembourg the dollar per ounce equivalent of the 12½ kilo bar was $389.00.

In Zurich gold closed at $388¾-389¼ from $385¼-385¾.

LONDON FUTURES

Month	Yest'days close	+ or —	Business Done
	$ per troy ounce		
Feb	—	....	388.80-88.98
April	392.60-93.00	+2.00	394.60-90.60
June	398.88-99.60	+3.10	399.50-98.30
Aug	405.40-06.00	+2.80	406.70-05.00
Oct	—	....	—
Dec	—	....	—

Turnover: 792 lots of 100 troy ounces.

	Feb. 21		Feb. 20	
Gold Bullion (fine ounce)				
Close	$388¼-388¾	(£269-269½)	$385.20-385.70	(£265¼-265¾)
Opening	$385¾-386¼	(£265½-266)	$384¼-384¾	(£265½-266)
Morning fixing	$388.25	(£267.943)	$384.60	(£265.998)
Afternoon fixing	$389	(£268.564)	$385.25	(£266.149)

Gold and Platinum Coins Feb. 21

Krugrnd	$399-399¾	(£276¼-276¾)	King Sov	$91½-93	(£63½-64½)
½ Krug.	$205¾-206½	(£142½-143)	Victoria Sov	$91½-93	(£63½-64½)
¼ Krug.	$105-105¾	(£72¾-73¼)	French 20s	$75¾-77½	(£52½-53½)
1/10 Krug.	$43-43¾	(£29¾-30¼)	50 Pesos Mex	$480-482	(£332½-333¾)
Mapleleaf	$399-399½	(£276¼-276¾)	100 Cor-Aust	$375-379	(£259¼-262½)
New Sov	$91¼-91¾	(£63¼-63½)	$20 Eagles	$540-550	(£374-380¼)
½ New Sov.	$54¾-55½	(£38-38½)	Noble (Plat.)	$403½-408	(£279¼-282½)

EUROPEAN MARKETS

ROTTERDAM, February 21

Wheat—(U.S. $ per tonne): U.S. two Red Winter March 152, April 152, May 152, July 15/July 15 144. U.S. two Northern Spring 14 per cent protein Feb 190, March 189.50, April-May 174, May 173, June 173, July 171, Aug 166, Sept 156, Oct 169. U.S. Three Amber Durum April-May 188, June 187, July 185, Aug 182, Sept 175, Oct 178, Nov 181. Canadian One Western Amber Durum April-May 201, June 200, Nov 197.

Maize—(U.S. $ per tonne): U.S. Three Yellow Feb 152, March 148.50, April 149.50, May 150, June 150.50, July-Sept 148.50, Oct-Dec 132 sellers. Argentine Plate April 151, April-June [illegible] Yellow Gulfports March 290.30, April 290.80, May 291.50, June 292.60, July 294.80, Aug 296.50, Sept 291, Oct 277.90, Nov 277.90, Dec 281.50, Jan 285.50, Feb 290.30 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent afloat 222, Feb 223, March 224, April 224, April-Sept 228, Nov-March 231 sellers. Pellets Brazil Feb 238, March 237, April 235, May 234.50, April-235, May 234.50, April-Sept 238, Oct-Dec 245 sellers. Pellets Argentine afloat 229, Feb 229, March 229, May-Sept 229 sellers.

PARIS, February 21

Cocoa—(FFr per 100 kg): March 3060/2080, May 2107/2114, July 2104 [illegible]

BRITISH COMMODITY PRICES

BASE METALS

BASE METAL PRICES gave ground on the London Metal Exchange. The rise in silver and gold prompted initial strength in Coper which moved u to £1,028 before profit-taking and general selling lowered the price to £1,018 at the close of the late kerb. Lead and Zinc were quiet and finally £292 and £568.5 respectively. Rumoured selling from the far east unsettled Aluminium which diped to close at £1,048.25 while late demand for cash material promted a rally in Nickel which ended the day at £3,274, after £3,261.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	1003-.5	......	998-9	—5.25
3 months	1026-.5	+1.5	1020.5-1	—2.75
Settlem't	1003.5	......	—	—
Cathodes				
Cash	992-3	+.5	988.5-9	—2
3 months	1013-.5	+1.5	1008.5-9	—2.5
Settlem't	993	+.5	—	......

Amalgamated Metal Trading reported that in the morning cash Higher Grade traded at £1003.50, three months £1025, 25.50, 26, 26.50, 26, 25.50. Cathodes: Three months £1013, 14. Kerb: Higher Grade: Three months £1025, 24.50, 25, 25.50, 26. Afternoon: Higher Grade: Cash £998.50, three months £1023, 23.50, 24, 23.50, 20, 20.50, 21, 20.50. [illegible] 65, 61, 62, 65, 63. Kerb: Three months £3265, 70, 74. Turnover: 1,248 tonnes.

SILVER

Silver was fixed 7.7p an ounce higher for spot delivery in the London bullion market yesterday at 639.3p. U.S. cents equivalents of the fixing levels were: spot 926c, up 12.7c; three-month 949c, up 13.2c; six-month 973.3c, up 13.4c; and 12-month 1,023.6c, up 14.1c. The metal opened at 630-633p (915-918c) and closed at 639½-642½p (923-926c).

SILVER per troy oz.	Bullion fixing price	+ or —	L.m.E. p.m. Unoffic'l	+ or —
Spot	639.30p	+7.70	637.5p	+5
3 months	653.65p	+7.70	652.5p	+5.25
6 months	668.85p	+8.00	—	.....
12 months	699.30p	+8.50	—	.....

LME — Silver (2,000 oz contract): cash 637.5p (632.5p); three months 652.5p (647.25p). Turnover: nil (2).

Turnover: 119 (25) lots of 10,000 oz. Morning: large three months 655.0, 55.5, 56.0, 54.0, 53.5, 54.0. Kerb: large three months 654.0, 55.0. Afternoon: large three months 652.0, 51.0, 52.0. Kerb: large three months 650.0, 46.0, 45.0, 47.0.

WEEKLY METALS

COFFEE

During a quiet morning session values remained in a £10 range in all positions, reports Drexel Burnham Lambert. Several large deals in nearby March inflated the turnover, but trading continued quiet until the close when commission house selling prompted an easier finish.

AMERICAN MARKETS

NEW YORK, February 21

Precious metals were mostly higher on anticipations of a further escalation in the Iraqi-Iranian conflict, reports Heinold Commodities. Copper was moderately lower, mostly on heavy arbitrage selling. Aluminium trading was also weaker on lower sterling. Sugar prices rallied on short—covering in an oversold market and finished moderately higher after the rally attracted trade selling. Cotton prices were under considerable pressure in sympathy with the grains and on speculation that the recent planting intentions figures do not fully reflect the potential 1984 plantings. Another sharp loss in cocoa resulted from aggressive selling by origin countries as reports are circulating that the African crops have not been damaged as badly as feared. Coffee prices were moderately lower on dealer sales. Heating oil was unable to hold early gains realised from fears of escalation of the Middle-East conflict and traded lower going into the close. Grains and soyabeans were moderately to sharply lower on selling triggered by weaker currencies, the markets found active support at the daily lows and recovered from the heavy early selling.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
March	71.20	71.90	71.20	72.15
April	71.60	—	—	72.50
May	72.00	72.55	72.00	72.85
July	73.00	73.40	72.95	73.70
Sept	73.95	—	—	74.65
Dec	75.45	—	—	76.15

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Feb	925.5	—	—	916.0
March	927.0	935.0	911.0	918.0
April	935.0	—	—	925.8
May	942.9	952.0	926.0	933.5
July	959.0	967.0	943.0	949.3
Sept	975.3	983.0	960.0	965.4
Dec	1000.7	1008.0	986.0	990.4

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound firm

The dollar was very firm on the foreign exchanges yesterday, and sterling was also generally strong, but eased back against the dollar towards the London close. Threats to Western oil supplies because of the Gulf War gave both currencies an initial boost, with the dollar seen as a safe haven at a time of unrest and sterling regarded in a favourable light because of Britain's North Sea oil reserves.

The oil supply situation was regarded as more uncertain as the escalation in the war between Iran and Iraq led to fears that Iran was to attempt a closure of the Strait of Hormuz, while rumours that the U.S. Navy was sending a task force to keep the Gulf open gained credibility when it was officially confirmed that a carrier led battlegroup is operating in the North Arabian Sea.

Economic factors drifted into the background, but data this week on U.S. durable goods and consumer prices is expected to reinforce recent signs of strong U.S. growth, keeping the dollar firm because of inflationary pressure.

The exchanges were somewhat nervous however because sentiment appeared to move against the dollar last week despite the economic picture, but with attention concentrated on the Gulf the dollar rose to DM 2.7035 from DM 2.6865 against the D-mark; FFr 8.3425 from FFr 8.2625 against the French franc; SwFr 2.2175 from SwFr 2.2060 in terms of the Swiss franc; and Y234 from Y233.40 against the Japanese yen. The dollar's index, on Bank of England figures, rose to 129.2 from 128.8.

STERLING — Trading range against the dollar in 1983-84 is 1.6245 to 1.3955. January average 1.4080. Trade-weighted index 82.7, compared with 82.8 at noon and in the morning, 82.3 at the previous close, and 85.7 six months ago.

Sterling opened at $1.4505-1.4515, and touched a peak of $1.4520-1.4530, before drifting back to close at $1.4435-1.4445, a fall of 30 points on the day. On the other hand the pound rose to DM3.9050 from DM3.8875; FFr 12.0450 from FFr 11.9725; SwFr 3.2050 from SwFr 3.1925, and Y338 from Y337.75.

D-MARK — Trading range against the dollar in 1983-84 is 2.8425 to 2.3320. January average 2.8109. Trade-weighted index 126.0 against 125.8 six months ago.

The D-mark was little changed against most major currencies at the Frankfurt fixing, but fell quite sharply against the dollar and sterling. Part of the dollar's rise was seen as a recovery after its fall last week, but slightly firmer Eurodollar interest rates and reports that Western oil supplies could be cut off because of the fighting in the Gulf area also contributed to the strength of the U.S. currency. It rose strongly through the resistance level of DM 2.7050, to touch DM 2.7150, before being fixed at DM 2.7084 compared with DM 2.6895, without any intervention by the Bundesbank. Sterling was the main beneficiary from the war between Iran and Iraq however, rising to DM 3.9210 at the fixing from DM 3.8870.

DUTCH GUILDER—Trading range against the dollar in 1983-84 is 3.1900 to 2.5755. January average 3.1593. Trade-weighted index 115.9 against 115.7 six months ago.

The guilder was quite firm within the EMS at the Amsterdam fixing, but weakened against the dollar, sterling and the Japanese yen. The dollar and sterling were very firm following the possible threat to world oil supplies because of the deteriorating situation in the Gulf War. The return to favour of the dollar as a safe haven pushed the U.S. currency up to Fl 3.0560 from Fl 3.0335, while sterling's status as a petrocurrency helped the pound advance to Fl 4.4230 from Fl 4.3870. The yen rose to Fl 13.046 per 1,000 yen from Fl 13.004. Within the EMS the D-mark eased to Fl 1.12795 from Fl 1.1293; the French franc to Fl 36.57 per 100 francs from Fl 36.59; and the Belgian franc to Fl 5.5060 per 100 francs from Fl 5.5110.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU February 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.9863	+2.42	+1.93	±1.5447
Danish Krona ...	8.14104	8.19850	+0.71	+0.22	±1.6425
German D-Mark	2.24184	2.24542	+0.16	−0.33	±1.0642
French Franc ...	6.87456	6.92820	+0.78	+0.29	±1.4052
Dutch Guilder ...	2.52595	2.53231	+0.25	−0.24	±1.4964
Irish Punt	0.72569	0.729590	+0.54	+0.05	±1.6699
Italian Lira	1403.49	1388.87	−1.04	−1.04	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ in New York (latest)

	Feb. 21	Prev. close
Spot	$1.4420-4430	Unavailable
1 month	0.07-0.10 dis	Unavailable
3 months	0.28-0.32 dis	Unavailable
12 months	1.45-1.55 dis	Unavailable

£ forward rates are quoted in U.S. cents discount.

THE POUND SPOT AND FORWARD

Feb 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4425-1.4530	1.4435-1.4445*	0.07-0.12c dis	−0.79	0.30-0.35dis	−0.90
Canada	1.8025-1.8160	1.8035-1.8045	0.07-0.17c dis	−0.80	0.30-0.40dis	−0.78
Nethlnd.	4.39-4.44	4.39¾-4.40¾	1⅝-1⅜c pm	3.07	3¾-3¼ pm	3.18
Belgium	79.80-80.50	79.90-80.00	12-22c dis	−2.55	55-65 dis	−3.00
Denmark	14.23-14.36	14.24½-14.25½	1⅛-2ore dis	−1.37	5¼-6¼ dis	−1.61
Ireland	1.2660-1.2770	1.2690-1.2700	0.28-0.35p dis	−2.98	0.86-0.99dis	−2.91
W. Ger.	3.88½-3.93½	3.90-3.91	1½-1¼pf pm	3.46	3½-3 pm	3.33
Portugal	193.50-195.00	193.75-194.25	265-525c dis	−24.43	690-1280dis	−20.31
Spain	222.50-224.25	222.85-223.05	170-190c dis	−9.69	530-580 dis	−9.96
Italy	2,409-2,429	2,411½-2,413½	13½-15½ lire dis	−7.21	46½-47½dis	−7.71
Norway	11.09½-11.16½	11.10½-11.11½	2⅞-3⅞ore dis	−3.44	9½-10¼ dis	−3.55
France	12.02-12.13	12.04-12.05	4-5c dis	−4.48	18½-19½ dis	−6.31
Sweden	11.52-11.62	11.54-11.55	1¾-2¼ore dis	−2.08	4½-5½ dis	−1.67
Japan	337-341	337½-338½	0.77-0.72y pm	2.64	2.34-2.22 pm	2.70
Austria	27.40-27.75	27.47-27.52	7¼-6¾gro pm	2.94	22-18½ pm	2.85
Switz.	3.19½-3.23	3.20-3.21	1⅝-1⅜c pm	5.62	4½-4¼ pm	5.62

Belgian rate is for convertible francs. Financial franc 82.65-82.75. Six-month forward dollar 0.65-0.70c dis, 12-month 1.50-1.60c dis.
* Feb 20—The closing rate should have read 1.4455-1.4465.

THE DOLLAR SPOT AND FORWARD

Feb 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4425-1.4530	1.4435-1.4445	0.07-0.12c dis	−0.79	0.30-0.35dis	−0.90
Ireland†	1.1340-1.1400	1.1365-1.1375	0.21-0.19c pm	2.11	0.61-0.53 pm	2.00
Canada	1.2490-1.2510	1.2490-1.2495	0.02c pm-par	0.10	0.06-0.04 pm	0.16
Nethlnd.	3.0415-3.0585	3.0465-3.0485	1.00-0.90c pm	3.74	3.08-2.98 pm	3.98
Belgium	55.18-55.55	55.36-55.38	6½-8½c dis	−1.63	26-31 dis	−2.06
Denmark	9.8650-9.8950	9.8700-9.8750	¼ore pm-¼ dis	—	¼ pm-¼ dis	—
W. Ger.	2.6935-2.7160	2.7030-2.7040	0.92-0.87pf pm	3.97	2.83-2.78 pm	4.15
Portugal	134.00-135.00	134.00-134.50	175-350c dis	−23.39	460-860dis	−19.32
Spain	154.30-154.75	154.35-154.45	110-125c dis	−9.13	330-370 dis	−9.06
Italy	1,670-1,675½	1,670¾-1,671¼	8-9½ lire dis	−5.64	28¼-29¾ dis	−6.88
Norway	7.6925-7.7030	7.6925-7.6975	1.65-1.95ore dis	−2.81	5.25-5.55dis	−2.81
France	8.3075-8.3800	8.3400-8.3450	2.55-2.75c dis	−3.82	10.75-11.25d	−5.28
Sweden	7.9900-8.0130	7.9925-7.9975	0.75-0.95ore dis	−1.27	1.70-1.90dis	−0.90
Japan	233.80-234.40	233.95-234.05	0.68-0.64y pm	3.39	2.12-2.07 pm	3.58
Austria	19.05-19.12	19.06-19.07	6.20-5.60gro pm	3.71	19.25-17.25pm	3.83
Switz.	2.2100-2.2250	2.2170-2.2180	1.19-1.15c pm	6.33	3.56-3.52 pm	6.38

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 57.25-57.30.

OTHER CURRENCIES

Feb. 21	£	$		£ Note Rates
Agentina Peso...	40.69-40.77	28.13-28.16	Austria	27.50-27.80
Australia Dollar.	1.6546-1.6557	1.0740-1.0750	Belgium	82.65-83.46
Brazil Cruzeiro...	1,665.0-1,674.8	1,151-1,157	Denmark	14.27-14.41
Finland Marka...	8.3255-8.3465	5.7625-5.7675	France	12.06-12.18
Greek Drachma.	147.20-147.60	102.30-102.70	Germany	3.90¾-3.94¾
Hong Kong Dollar	11.273-11.283	7.7960-7.7980	Italy	2405-2440
Iran Rial	126.85*	87.85*	Japan	340-344
Kuwait Dinar(KD)	0.423-0.424	0.29395-0.29320	Netherlands	4.43¾-4.44¾
Luxembourg Fr.	79.90-80.00	55.36-55.38	Norway	11.11-11.23
Malaysia Dollar.	3.3790-3.3850	2.3370-2.3385	Portugal	192-205
New Zealand Dlr.	2.1880-2.1910	1.5145-1.5165	Spain	221¼-233½
Saudi Arab. Riyal	5.0700-5.0760	3.5100-3.5110	Sweden	11.52-11.63
Singapore Dollar	3.0785-3.0845	2.1290-2.1305	Switzerland	3.21-3.24
Sth African Rand	1.7650-1.7675	1.2225-1.2240	United States	1.44-1.46
U.A.E. Dirham...	5.3040-5.3100	3.6720-3.6730	Yugoslavia	201-210

* Selling rates.

CURRENCY MOVEMENTS

Feb. 21	Bank of England Index	Morgan Guaranty Changes%
Sterling	82.7	−8.3
U.S. dollar	129.2	+17.5
Canadian dollar	91.5	+0.1
Austrian schilling	115.6	+5.3
Belgian franc	89.7	−11.6
Danish kroner	78.5	−6.2
Deutsche mark	126.0	+8.1
Swiss franc	148.6	+11.8
Guilder	115.0	+4.4
French franc	66.3	−16.5
Lira	48.5	−13.2
Yen	156.1	+11.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

Feb. 21	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.722538	0.573429
U.S. $	9½	1.04638	0.829179
Canadian$	10.00	*	1.03597
Austria Sch.	3¾	19.9880	15.8290
Belgian Fr.	11	58.0636	45.9863
Danish Kr.	7	10.3539	8.19850
D'mark	4	2.83402	2.24542
Guilder	5	3.19774	2.53231
French Fr.	9½	8.74365	6.92820
Lira	16	1751.64	1388.87
Yen	5	244.801	194.235
Norwgn Kr.	8	8.05660	6.38345
Spanish Pta.	—	161.707	128.191
Swedish Kr.	8½	8.38883	6.64006
Swiss Fr.	4	2.32244	1.84161
Greek Dr'ch	20½	106.982	84.6674

* C$/SDR rate for Feb 18: 1.30851.

EXCHANGE CROSS RATES

Feb. 21	Pound St'rling	U.S. Dollar	Deusche m'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.444	3.908	338.0	12.045	3.205	4.403	2413.	1.804	79.95
U.S. Dollar	0.693	1.	2.704	234.0	8.343	2.218	3.048	1671.	1.249	55.37
Deutschemark	0.256	0.370	1.	86.56	3.085	0.821	1.127	617.8	0.462	20.47
Japanese Yen 1,000	2.959	4.272	11.55	1000.	35.64	9.482	13.03	7138.	5.337	236.5
French Franc 10	0.830	1.199	3.242	280.6	10.	2.661	3.655	2003.	1.498	66.38
Swiss Franc	0.312	0.451	1.218	105.5	3.758	1.	1.374	752.7	0.563	24.95
Dutch Guilder	0.227	0.328	0.887	76.77	2.736	0.728	1.	548.0	0.410	18.16
Italian Lira 1 000	0.415	0.599	1.619	140.1	4.993	1.328	1.825	1000	0.748	33.14
Canadian Dollar	0.554	0.800	2.165	187.4	6.677	1.777	2.440	1337.	1.	44.32
Belgian Franc 100	1.251	1.806	4.884	422.8	15.07	4.009	5.507	3018.	2.256	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Feb. 21	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Kroner
Short term	9⅛-9¼	9½-9¾	9⅜-9⅝	5 11/16-5 13/16	1½-1⅝	5 5/16-5 7/16	12-12¼	16-17	10¼-10¾	10¼-10¾	5⅞ 6	10⅜-10⅞
7 days' notice	9⅛-9¼	9⅝-9⅞	9⅜-9⅝	5 11/16-5 13/16	6-6¼	5½-5⅝	12¼-12½	16¼-17	11-11½	10¼-11¾	6-6⅛	10-10½
Month	9¼-9 7/16	9¾-10	9⅝-9¾	5 11/16-5 13/16	3¼-3⅜	5 11/16-5 13/16	13⅝-13⅞	16½-17¼	11¾-12¼	11⅝-11⅞	6 1/16-6 3/16	10⅛-10⅝
Three months	9⅜-9 7/16	10-10¼	9 13/16-9 15/16	5 13/16-5 15/16	3 5/16-3 7/16	5 13/16-5 15/16	15½-15¾	17-17½	12-12½	11⅞-12⅛	6⅜-6½	10½-11
Six months	9⅛-9 9/16	10 5/16-10 7/16	10-10⅛	6-6⅛	3¾-3⅞	6-6 1/16	15⅝-15⅞	17¼-17¾	12¼-12¾	11⅞-12⅛	6⅜-6½	10¾-11¼
One year	9¾-9 15/16	10⅝-10⅞	10⅜-10½	6 1/16-6 3/16	4-4⅛	6¼-6⅜	15⅞-16⅛	17⅞-18⅜	12¼-12¾	11⅞-12⅛	6½-6⅝	11⅛-11⅝

Asian $ (closing rates in Singapore): Short term 9 11/16-9 13/16 per cent; seven days 9¾-9⅞ per cent; one month 9 13/16-9 15/16 per cent; three months 10 1/16-10 3/16 per cent; six months 10 5/16-10 7/16 per cent; one year 10⅝-10¾ per cent. Long-term Eurodollars two years 11⅛-11⅜ per cent; three years 11¾-12 per cent; four years 12⅛-12⅜ per cent; five years 12⅜-12⅝ per cent nominal closing rates. Short-term rates are call for U.S. dollars and Japanese yen; two days notice.

MONEY MARKETS

London rates steady

Interest rates were little changed on the London money market yesterday. Three-month interbank was steady at 9½ per cent, and discount houses continued to pay 8⅞-9 per cent for three-month eligible bank bills.

The Bank of England forecast a shortage in the money market of £250m at the start of trading, but this was later revised to £300m, although the authorities still only supplied assistance of £148m.

Bills maturing in official hands, repayment of late assistance and a take-up of bills from Friday's Treasury bill tender drained £120m, with Exchequer transactions absorbing another £320m. These outweighed a fall in the note circulation of £55m, and bank balances above target of £140m.

In the morning the Bank of England bought £107m bills outright by way of £28m bank bills in band 2 (15-33 days maturity) at 9 per cent; £13m bank bills in band 3 (34-63 days) at 8 15/16 per cent; £2m Treasury bills in band 4 (64-91 days) at 8⅞ per cent; and £64m bank bills in band 4 at 8⅞ per cent.

After lunch the authorities purchased another £41m bills through £4m Treasury bills in band 1 (up to 14 days) at 9 1/16 per cent; £8m bank bills in band 1 at 9 1/16 per cent; £7m bank bills in band 2 at 9 per cent; £6m bank bills in band 3 at 8 15/16 per cent; £2m Treasury bills in band 4 at 8⅞ per cent; and £14m bank bills in band 4 at 8⅞ per cent.

In Paris call money fell to 12⅛ per cent from 12⅜ per cent following intervention by the Bank of France, adding liquidity to the money market through purchases of first category paper announced on Monday. Fixed period rates were unchanged.

In Frankfurt overnight money continued to firm, rising to 5.525 per cent from 5.50 per cent on Monday, and 5.45 per cent on Friday. Conditions in the domestic money market are expected to tighten towards the end of the month as tax payments fall due. Fixed period rates remained steady yesterday, however.

In Amsterdam the Dutch National Bank offered to supply liquidity to the local money market by a seven-day special advance at a rate of 5¾ per cent.

UK clearing banks' base lending rate 9 per cent (since October 4 and 5)

MONEY RATES

Feb. 21	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.50-5.55	12⅛	1-2	5⅝-5⅞	5.65625	16¾-17⅛	7.95	—
One month	5.45-5.60	12⅜-12½	3¼-3⅜	5⅞-6	6.28125	16⅝-17	11⅝-11⅞	12⅜-12½
Two months	5.75.8	12⅜-12½	—	—	—	—	—	12¼-12⅜
Three months	5.85-6.0	12½-12⅜	3⅜-3¾	6-6⅛	6.28125	16⅞-17¼	11⅞-12⅛	12⅜-12½
Six months	5.95-6.10	12⅝-12¾	—	6⅛-6¼	—	—	11⅞-12⅛	12¼-12½
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	12	—	5⅞	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Feb. 21 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	9 1/16-10¼	9-9⅛	9¼-9⅜	9-9¼	—	—	—	—	—
2 days notice	—	—	9⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 day notice	—	9 1/16-9 3/16	9⅛	9¼-9⅜	9-9⅛	—	—	—	—	—
One month	9 1/16-9¼	9¼-9 7/16	9 3/16	9⅜	9-9⅛	9	8 15/16	9-9 1/16	8 15/16-9	9⅝
Two months	9 5/16-9 7/16	9 5/16-9⅝	9¼	9½	9-9⅛	8 15/16	8⅞-8 15/16	8 15/16-8 31/32	8 29/32-8 15/16	9 7/16
Three months	9⅜-9 7/16	9⅜-9 7/16	9 5/16	9 7/16	9-9⅛	8⅞	8 27/32	8⅞-8 29/32	8 27/32-8⅞	9½
Six months	9 7/16-9⅜	9 15/32-9 7/16	9⅜	—	—	—	—	8 13/16	8 25/32	9 7/16
Nine months	9 15/32 9 17/32	9⅝-9¾	9⅝	—	—	—	—	—	—	—
One year	9 21/32 9 23/32	9¾-9⅞	9⅝	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	9¾-9½	—	9 3/16	9.75-9.85	8 15/16-9 1/16	9⅜-9½
Two months	9¾-9½	—	9 5/16	9.75-9.85	9-9¼	9 5/16-9 7/16
Three months	9¾-9½	—	9 7/16	9.8-9.9	9⅛-9⅜	9⅝-9¾
Six months	9⅜-9	—	9 9/16	10.0-10.1	9¼-9½	9 13/16-9 15/16
Nine months	9⅞-9½	—	9¾	10.1-10.3	—	—
One year	9⅞-9⅝	—	9⅞	10.25-10.45	9 9/16-9 13/16	10 1/16-10¼
Two years	—	10¼-10⅜	—	—	—	—
Three years	—	10⅛	—	—	—	—
Four years	—	10⅝-10¾	—	—	—	—
Five years	—	11-11⅛	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV Average Rate for interest period January 4 to February 7, 1984 (inclusive): 9.493 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rates (published by the Finance Houses Association): 9½ per cent from February 1, 1984. London and Scottish Clearing Bank Rates for lending 9 per cent. London Deposit Rate for sums at seven days' notice 5½ per cent. Treasury Bills: Average tender rates of discount 8.8550 per cent. Certificate of Tax Deposit (Series 6). Deposits of £100,000 and over held under one month 9¼ per cent; one-three months 9½ per cent. three-six months 9¾ per cent; six-12 months 10¼ per cent. Under £100,000 9¼ per cent from February 6. Deposits held under Series 4-5 10¼ per cent. The rate for all deposits withdrawn for cash 8 per cent.

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. February 21)

3 months U.S. dollars	
bid 10 1/16	offer 10 3/16

6 months U.S. dollars	
bid 10 5/16	offer 10 7/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	11
Broker loan rate	10¾-10½
Fed funds	9 5/16

Treasury Bills

One month	9.00
Two month	9.10
Three month	9.13
Six month	9.29
One year	9.32

Treasury Bonds

Two year	99 27/32
Three year	99 14/32
Four year	99 7/32
Five year	99
Seven year	99¾
10 year	99 27/32
30 year	99¼

FINANCIAL FUTURES

Prices firm

Interest rate contracts were firmer on the London International Financial Futures Exchange yesterday, with the tone for the market set by the foreign exchanges where both the dollar and sterling were firm because of events in the Gulf, where the growing hostilities between Iran and Iraq led to suggestions that Iran will try to cut off oil supplies to the West by closing the Strait of Hormuz.

June is now the most active month for Eurodollar futures, and the contract opened lower yesterday but found support when Chicago markets opened after the long holiday weekend in the U.S. A strong dollar on the exchanges and higher yields on the cash market pushed June Eurodollars down to 89.47 at the opening from the previous settlement figure of 89.51.

In fairly active trading the contract improved in the afternoon however to close at the day's peak of 89.55. A slight softening in the Federal funds overnight rate and intervention by the Federal Reserve to add $1.5bn to the New York banking system by a customer repurchase agreement also helped lift Eurodollar futures towards the finish of London trading.

March gilts opened at 108-27, the lowest level of the day, but responded to higher cash prices and to the strength of the pound, touching a high point of 109-05, before closing at 109-02, compared with 108-23 on Monday.

Three-month sterling interest rate futures also gained ground on sterling's performance, with June delivery closing at the day's high of 90.53, after opening at the low of 90.49, which was unchanged from Monday's close.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	90.04	90.06	89.97	90.02
June	89.55	89.56	89.46	89.51
Sept	89.24	89.24	89.14	89.19
Dec	88.94	88.95	88.89	88.91
March	88.67	—	—	88.64

Volume 4,793 (1,859)
Previous day's open int 11,964 (12,109)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
March	90.80	90.81	90.78	90.78
June	90.53	90.53	90.49	90.49
Sept	90.32	90.33	90.30	90.30
Dec	90.14	90.16	90.12	90.11
March*	89.99	—	—	90.01

Volume 876 (789)
Previous day's open int 6,155 (6,134)
* £500,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
March	109-02	109-05	108-27	108-23
June	108-14	108-16	108-03	108-03
Sept	107-27	—	—	107-16
Dec	107-11	—	—	107-00
March	106-27	—	—	106-16

Volume 2,487 (2,019)
Previous day's open int 3,953 (4,141)
Basis quote (clean cash price of 13¾% Treasury 2003 less equivalent price of near futures contract) 14 to 24 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.4455	1.4525	1.4455	1.4465
June	1.4490	1.4560	1.4490	1.4495
Sept	1.4528	1.4599	1.4528	1.4527

Volume 398 (724)
Previous day's open int 2,411 (2,404)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.3709	0.3720	0.3697	0.3732
June	0.3748	0.3752	0.3739	0.3771
Sept	0.3781	—	—	0.3803

Volume 329 (50)
Previous day's open int 490 (478)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
March	0.4527	0.4527	0.4518	0.4553
June	0.4589	—	—	0.4625
Sept	—	—	—	—

Volume 3 (7)
Previous day's open int 259 (252)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
March	0.4281	0.4282	0.4274	0.4295
June	0.4320	—	—	0.4334
Sept	—	—	—	—

Volume 48 (11)
Previous day's open int 301 (300)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	69-13	69-17	69-09	69-13
June	68-24	68-28	68-20	68-24
Sept	68-06	68-09	68-02	68-05
Dec	67-21	67-24	67-18	67-20
March	67-05	67-08	67-01	67-04
June	66-21	66-21	66-19	66-21
Sept	—	—	—	66-07
Dec	65-26	65-26	65-25	65-26

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	90.83	90.83	90.78	90.81
June	90.43	90.45	90.39	90.42
Sept	90.15	90.15	90.12	90.13
Dec	89.89	89.90	89.88	89.89
March	89.67	89.68	89.66	89.67
June	89.50	89.50	89.50	89.51
Sept	89.32	—	89.32	89.35
Dec	89.17	—	89.17	89.19

CERT DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	90.24	90.25	90.18	90.24
June	89.71	89.72	89.66	89.70
Sept	89.30	89.34	89.30	89.33

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	89.75	89.76	89.71	89.75
June	89.26	89.28	89.22	89.26
Sept	88.93	88.94	88.81	88.93
Dec	88.64	88.65	88.62	88.65
March	88.35	88.37	88.35	88.37
June	88.12	88.13	88.12	88.14

STERLING (IMM) Se per £

	Latest	High	Low	Prev
March	1.4440	1.4495	1.4390	1.4520
June	1.4480	1.4530	1.4425	1.4550
Sept	1.4490	1.4540	1.4470	1.4580
Dec	1.4565	1.4580	1.4550	1.4610
March	1.4570	1.4625	1.4570	1.4640

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	69-01	69-03	68-30	69-00
June	68-03	68-05	68-00	68-01
Sept	67-10	67-10	67-07	67-07
Dec	66-16	66-18	66-16	66-16
March	—	—	—	—
June	65-10	65-10	65-10	66-10
Sept	—	—	—	64-26
Dec	—	—	—	64-13

OVER-THE-COUNTER – Nasdaq National Market

Continued from Page 24

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

We regret that complete closing prices in the New York Over-The-Counter market were unavailable because of computer difficulties.

INTERNATIONAL CAPITAL MARKETS

Casio launches $80m issue

By Our Euromarkets Correspondent

CASIO Computer of Japan yesterday launched a $80m five-year bond with warrants to buy the company's equity.

Final terms will not be set until next week, but lead manager Daiwa Europe yesterday indicated a coupon of 6 per cent and issue price par. The warrants will allow investors to buy the company's shares at a premium of 2½ per cent over their average closing price in Tokyo on the six days before February 27. Yesterday the shares closed at Y1,450.

The bonds were well received in an otherwise generally dull market yesterday, trading at a discount of about ¼ point, well within their selling concession of 1½ points.

Elsewhere, prices of fixed rate dollar issues slipped a further ¼ point amid continuing worries over the trend of U.S. interest rates.

Fujitsu, the Japanese telecommunications concern, is expected to launch a $150m convertible bond later this week, while Sparekassen, the Danish savings bank is raising $30m through a seven-year floating rate note with a margin of ⅛ per cent over six month Libor. The bond is led by European Banking and Nomura International.

Montreal Transit Commission launched a C$20m, seven-year issue with a coupon of 12½ per cent at par through Banque Internationale a Luxembourg.

SHF Bank bond average		
Feb 21		Previous
99.126		99.224
High	1983-84	Low
102.017		97.699

Greece opens borrowing programme

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

GREECE has formally set its 1984 borrowing programme in motion by inviting banks to bid on a $500m, seven-to-eight year loan package, possibly including a floating rate note.

The invitations to banks to bid on the credit follows three weeks of market soundings by Mr Stratis Papaestratiou, a senior official of the Bank of Greece. *He is now asking banks to submit proposals for a credit bearing a margin of about ⅜ per cent over London Eurocurrency rates or 0.3 points over U.S. prime.*

Alternatively banks may offer a mix of floating rate notes and credit, but in each case the total underwriting commitment of each bank would have to be $35m.

Bankers were still uncertain yesterday about how the request would be received. Many say they have only limited space on their balance sheets for new Greek business. In that case the proposed margin over Libor seems tight. On the other hand the Eurocredit market has been characterised this year by a shortage of business with general downward pressure on margins.

Following normal Greek practice, Mr. Papaostratiou is expected to invite interested banks to Athens once he has had time to analyse their bids. Only at that stage will the definitive terms and composition of the lead management group finally emerge.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for February 21.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia Comm 11¼ 90	100	99½	100	0	-0⅞	11.28
Australia Comm 11½ 95	300	97	97½	+0⅛	0	11.92
Australia Comm 11⅝ 98	100	97⅛	97⅝	0	-0⅛	11.98
Bank of Tokyo 11⅞ 90	100	98⅛	98⅝	-0⅛	-0¼	12.22
Beneficial O/S Fin 12 91	100	96½	97	0	+0⅛	12.72
Britoil Fin 11⅞ 90	125	99⅛	99⅝	+0⅛	-0⅜	11.98
Canada 10⅞ 88	500	98¼	98¾	0	-0¼	11.27
C.C.C.E. 12⅝ 95	75	99½	100	-0¼	-0⅜	12.64
Citicorp O/S 10⅝ 90	100	91⅜	91⅞	0	-0½	12.36
Citicorp O/S 11¾ 90	100	97⅝	98⅛	-0⅜	-0¼	12.14
D.N.C. 11⅜ 91 WW	50	96⅛	96⅝	0	+0⅜	12.53
D.N.C. 11⅜ 91 XW	50	95¼	95¾	-0⅛	-0⅛	12.76
Denmark Kingdom 12¼ 93	100	98½	99	-0¼	-0⅜	12.46
E.C.S.C. 11⅞ 90	75	99	99½	-0⅛	0	12.81
E.D.C. 11⅝ 89	150	96⅞	97⅜	-0¼	-0½	11.92
E.E.C. 11 87	350	98	98½	-0⅛	-0⅜	11.80
E.E.C. 12 93	50	99	99½	-0¼	-0⅜	12.12
E.I.B. 11½ 90	200	97	97½	-0⅛	-0⅛	12.09
Eksportfinans 11½ 90	100	96½	97	-0⅛	-0⅛	12.21
Electrolux 10½ 90	50	92⅛	92⅝	-0⅛	-0⅛	12.28
Gen Elec Credit 11 91 WW	200	97½	98	0	-0⅛	11.48
GMAC O/S Fin 11⅜ 90	100	99¼	99¾	-0⅛	0	11.45
IC Indust Fin 11⅞ 98	75	96⅝	97⅛	0	-0⅛	12.33
Indust Bk Japan 11⅞ 91	100	98¼	98¾	-0⅛	-0¾	12.13
ITT Finance 11½ 89 WW	125	99	99½	0	-0⅛	11.66
Japan Air Lines 11 93	75	95¼	95¾	-0⅛	0	11.80
J.C. Penney 11⅞ 90	100	100	100½	-0⅛	-0⅛	11.79
J.P. Morgan 11⅜ 90 WW	150	98¼	98¾	-0⅛	-0⅜	11.68
Levi Strauss Int 11 90	75	96⅝	97⅛	-0⅛	0	11.69
L.T.C.B. 10¾ 90	100	93⅜	93⅞	-0⅛	-0¼	12.23
L.T.C.B. 12½ 90	85	101½	102	-0⅛	0	12.06
Macy O/S 11¾ 91	100	99¼	99¾	-0⅛	-0⅛	11.85
Mitsubishi Fin 11⅝ 90	100	96¼	96¾	-0⅜	-0⅜	12.16
Mitsui Trust Fin 12 91	100	98¼	98¾	-0½	-0½	12.33
Nippon Credit 11⅞ 90	100	97⅜	98⅛	-0¼	-0⅛	12.27
Nippon Tele 11⅜ 90	100	99⅛	99⅝	-0⅜	-0½	11.62
Nova Scotia Pro 11¾ 91	100	96⅜	96⅞	-0⅛	-0¼	12.50
Ontario Hydro 10⅛ 90	250	93⅛	93⅝	-0⅛	-0¼	11.78
Ontario Hydro 11⅞ 90	200	[illegible]	[illegible]	[illegible]	[illegible]	11.77
Pacific Gas & Elec 12 91	75	[illegible]	[illegible]	[illegible]	[illegible]	11.74
P.K. Banken 12 90 WW	75	[illegible]	[illegible]	[illegible]	[illegible]	12.54
Prudential 10⅞ 93 WW	150	[illegible]	[illegible]	[illegible]	[illegible]	10.95
Prudential 10⅞ 93 XW	150	[illegible]	[illegible]	[illegible]	[illegible]	11.89
Quebec Hydro 11½ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	11.76
Quebec Province 12¼ 94	150	[illegible]	[illegible]	[illegible]	[illegible]	12.47
Royal Bk of Can. 11½ 89	100	[illegible]	[illegible]	[illegible]	[illegible]	12.09
Rural & Ind. Bk 12 91	50	[illegible]	[illegible]	[illegible]	[illegible]	12.47
Sears O/S Fin 11⅞ 88	125	[illegible]	[illegible]	[illegible]	[illegible]	11.75
Sears O/S Fin 11⅞ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	11.95
Sears O/S Fin 11⅝ 93	150	[illegible]	[illegible]	[illegible]	[illegible]	11.82
Sec Pac O/S Fin 11⅞ 89 WW	75	[illegible]	[illegible]	[illegible]	[illegible]	12.87
Sec Pac O/S Fin 12 92	50	[illegible]	[illegible]	[illegible]	[illegible]	12.38
S.E.K. 11¼ 88	100	[illegible]	[illegible]	[illegible]	[illegible]	12.12
Sumitomo Fin 10⅞ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	12.18
Texaco Capital 10½ 93	200	[illegible]	[illegible]	[illegible]	[illegible]	11.52
Tokai Asia 12⅛ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	12.24
World Bank 11⅛ 88	100	[illegible]	[illegible]	[illegible]	[illegible]	11.69
World Bank 11⅞ 88	200	[illegible]	[illegible]	[illegible]	[illegible]	12.01
World Bank 11½ 90	150	[illegible]	[illegible]	[illegible]	[illegible]	12.87
World Bank 12 83	200	[illegible]	[illegible]	[illegible]	[illegible]	11.99

Av. price changes: on day -⅛, on week -¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Allied Chemical 7⅞ 94	125	[illegible]	[illegible]	[illegible]	[illegible]	7.59
Amca Int'l 8¼ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	8.20
A.N.A.S. 8½ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	8.39
Arab Banking Corp 8 88	100	[illegible]	[illegible]	[illegible]	[illegible]	8.52
Asian Dev Bk 8⅛ 93	200	[illegible]	[illegible]	[illegible]	[illegible]	8.26
Barclays O/S 8⅛ 93	250	[illegible]	[illegible]	[illegible]	[illegible]	7.84
Beatrice Foods 7⅞ 93	130	[illegible]	[illegible]	[illegible]	[illegible]	7.35
E.E.C. 8 92	200	[illegible]	[illegible]	[illegible]	[illegible]	7.84
E.I.B. 8 91	250	[illegible]	[illegible]	[illegible]	[illegible]	7.88
E.I.B. 8 93	200	[illegible]	[illegible]	[illegible]	[illegible]	7.87
Europarat 8⅛ 93	150	[illegible]	[illegible]	[illegible]	[illegible]	8.05
Finland Rep 8 90	150	[illegible]	[illegible]	[illegible]	[illegible]	7.74
I.A.D.B. 8⅛ 93	150	[illegible]	[illegible]	[illegible]	[illegible]	8.13
Int Standard Ele 7⅞ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	7.01
Int Standard Ele 7⅛ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	7.46
Ireland 8⅞ 87	150	[illegible]	[illegible]	[illegible]	[illegible]	8.47
L.T.C.B. 8 90	100	[illegible]	[illegible]	[illegible]	[illegible]	7.71
Mg Bk Denmark 8¼ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	8.36
Mogal Fin 8¼ 94	150	[illegible]	[illegible]	[illegible]	[illegible]	7.65
O.K.B. 7½ 88	100	[illegible]	[illegible]	[illegible]	[illegible]	7.48
Reynolds O/S Fin 7¾ 94	125	[illegible]	[illegible]	[illegible]	[illegible]	8.07
Sth Africa Rep 8½ 91	200	[illegible]	[illegible]	[illegible]	[illegible]	8.04
S.N.C.F. 8¼ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	0.95
VEBA Int Fin 4 93 WW	300	[illegible]	[illegible]	[illegible]	[illegible]	7.22
VEBA Int Fin 4 93 XW	300	[illegible]	[illegible]	[illegible]	[illegible]	7.46
World Bank 8 93	300	[illegible]	[illegible]	[illegible]	[illegible]	7.92

Av. price changes: on day -⅛, on week +⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 6 94	100†	[illegible]	[illegible]	[illegible]	[illegible]	5.88
Austria Republic 5⅞ 94	100†	[illegible]	[illegible]	[illegible]	[illegible]	5.68
E.E.C. 6 93	100†	[illegible]	[illegible]	[illegible]	[illegible]	5.78
Elec Power Dev 5⅝ 93	100†	[illegible]	[illegible]	[illegible]	[illegible]	5.54
Eurofima 6⅛ 93	100†	[illegible]	[illegible]	[illegible]	[illegible]	6.88
Finland Republic 5¾ 94	100†	[illegible]	[illegible]	[illegible]	[illegible]	5.99
Int-Am Dev Bk 6 93	100†	[illegible]	[illegible]	[illegible]	[illegible]	6.01
Ireland 6½ 93	80†	[illegible]	[illegible]	[illegible]	[illegible]	6.28
Japan Dev Bk 5¼ 94	100†	[illegible]	[illegible]	[illegible]	[illegible]	5.48
Jap Highway Pub 5⅝ 93	100†	[illegible]	[illegible]	[illegible]	[illegible]	5.48
Mandatin Prov 5½ 93	100†	[illegible]	[illegible]	[illegible]	[illegible]	5.18
Mont Blanc Tunl 6⅜ 93	35†	[illegible]	[illegible]	[illegible]	[illegible]	5.89
Mtg Bk Denmark 6¼ 91	80†	[illegible]	[illegible]	[illegible]	[illegible]	5.93
New Brunswick 5¾ 93	100†	[illegible]	[illegible]	[illegible]	[illegible]	5.39
Newscorp 6⅛ 94	175†	[illegible]	[illegible]	[illegible]	[illegible]	6.06
Nippon Express 5⅝ 94	100†	[illegible]	[illegible]	[illegible]	[illegible]	5.99
Nippon Tel & Tel 5⅝ 93	100†	[illegible]	[illegible]	[illegible]	[illegible]	5.36
Nippon Yusen K K 5¾ 93	100†	[illegible]	[illegible]	[illegible]	[illegible]	5.85
Quebec Province 5⅝ 93	100†	[illegible]	[illegible]	[illegible]	[illegible]	5.44
Shikoku Elec Power 6 91	100†	[illegible]	[illegible]	[illegible]	[illegible]	5.83
Soc Lux Cmn 5⅝ 93	100†	[illegible]	[illegible]	[illegible]	[illegible]	5.88
Sumitomo Heavy Ind 6 91	100†	[illegible]	[illegible]	[illegible]	[illegible]	5.85
Takeda Elec Power 5⅝ 92	100†	[illegible]	[illegible]	[illegible]	[illegible]	5.83
Trans Corp 6⅛ 93	100†	[illegible]	[illegible]	[illegible]	[illegible]	5.96
World Bank 5⅝ 94	200†	[illegible]	[illegible]	[illegible]	[illegible]	5.94

Av. price changes: on day 0, on week +⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 8⅛ 92	15	107⅝	108⅛	0	-0⅛	7.33

	Issued	Bid	Offer	Change on day	Change on week	Yield
E.I.B. 8⅛ 92	15	103¾	104¼	-0½	0⅛	7.57
Int Am Dev Bk 7⅞ 93	15	102⅜	102⅞	+0⅛	-0⅛	7.48
New Zealand 7⅞ 89	15	103¾	104½	-0⅛	0	0.70
World Bank 7⅞ 93	20	102⅝	103⅛	0	+0⅛	7.18

Av. price changes: on day 0, on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Brnsh Col Hyd 12 93 CS	125	97¾	98¼	0	0	12.34
Brit Col Tel 12¼ 99 CS	70	99	99½	0	0	12.38
E.I.B. 12⅛ 91 CS	80†	98	98½	-0⅛	-0⅛	12.48
Loblaw 12½ 90 CS	35†	97¾	98¼	0	-0⅛	12.83
Montreal Cny of 12 98 CS	50†	97⅜	98⅛	-0⅛	0⅛	12.43
Royal Trsco 12⅝ 88 CS	50†	101⅛	101⅝	0	-0⅛	12.18
World Bank 12⅛ 90 CS	75†	100½	101	+0⅛	0	12.04
CIE Bancaire 11 90 ECU	37	99¾	100⅛	0	+0⅛	11.03
SDR France 11⅝ 95 ECU	20	102	102¾	0	+0⅛	11.24
Algemene Bank 8⅛ 88 Fl	150	102½	103	-0⅛	-0⅛	7.97
Amro Bank 8⅛ 88 Fl	100	102⅝	103⅛	-0⅛	+0⅛	7.97
Bank Mees & Hope 9 88 Fl	75	103	103½	0⅛	+0⅛	8.10
Rad Middenstandbk 8 88 Fl	100	102⅛	102⅝	-0⅛	+0⅛	8.32
Rabobank 9 88 Fl	100	103	103½	-0⅛	+0⅛	8.19
World Bank 9 88 Fl	100	103⅜	103⅞	0	+0⅛	7.99
O.K.B. 14 88 FF	400	101¾	102¼	0⅛	0⅛	12.04
Solvay & Cie 14¾ 88 FF	200	102⅛	103⅛	-0⅛	-0⅛	13.18
B.F.C.E. 11½ 88	50	100¾	100⅞	+0⅛	+0½	11.27
CEPME 11¼ 95	35	104½	105¼	+0⅛	+0⅛	10.48
CIBA-Geigy Int 6¾ 93	25	102	103½	+0⅛	+1	6.36
Commerzbank 11½ 90	25	99⅛	99⅝	0	+0⅛	11.59
E.E.C. 11⅝ 94	50	99	99½	+0⅛	+0⅛	11.58
E.E.C. 11⅞ 93	50	101	101¾	+0⅛	+0⅛	11.08
Fin For Ind 10½ 90	20	95⅛	96⅝	+0⅛	+0¼	11.53
Finland Rep 11⅞ 88	50	102	102¾	+0⅛	+0⅛	11.14
I.I.I. 10¾ 93	25	95⅝	96⅛	+0⅛	+0⅛	11.46
I.I.I. 11½ 91 WW	50†	100¾	101¼	0	0	11.33
Int Stand Ele 11⅛ 89	50	98⅜	98⅞	+0⅛	+0⅛	11.49
Norsk Hydro 12 90	30	103⅜	104½	+0⅛	+0½	11.10
Sweden 11¼ 93	50	98¼	98¾	+0⅛	+0⅛	11.49
Swed Exp Cred 11⅛ 88	30	99⅜	100⅛	+0⅛	-0⅛	11.21
World Bank 11⅛ 88	100	99⅝	100⅛	+0⅛	0	11.12
Electrolux 10 89 LF	500	97½	98½	0	0	10.53
Europarat 10¾ 93 LuxFr	600	99	100	0	-0⅛	10.82

FLOATING RATE NOTES	Spread	Bid	Offer	C.date	C.cpn	C.yld
Allied Irish Bk 5¼ 95	0⅛	98⅛	98⅝	8/6	10.31	10.47
Banco di Roma 5⅛ 90	0⅛	99½	99¾	7/6	10½	10.54
Belgium 5 2004	0⅛	99⅛	99⅜	9/7	10.31	10.39
Bk of New Yk 5¼ 96 $	0⅛	99⅛	99⅜	12/4	10.06	10.14
Credit Lyonnais 5¼ 96	0⅛	99⅛	99⅜	10/7	10.19	10.25
Denmark 5⅛ 90	3/16	99¾	100	13/4	10	10.01
Die Erste Oes 5¼ 92	0⅛	99¾	100	27/7	10¼	10.28
Dresdner Fin 5¼ 93 XW $	0⅛	100	100⅛	15/6	9.94	9.93
EAB Fin 5 93 $	0⅛	100	100⅛	20/6	10.69	10.67
Ext Int 5¼ 86	0⅛	99⅜	99⅞	21/6	10.81	10.85
Fst Interstate 5¼ 95 $	0⅛	99¼	99½	8/3	9.94	10.09
Fuji Int'l 5¼ 98 $	0⅛	99¼	99½	12/7	10¼	10.31
Genfinance 5 94	0⅛	99½	99¾	19/7	10⅛	10.16
Grindlays Euro 5⅛ 94	0⅛	99¾	100	1/8	10¼	10.28
GZB 5⅛ 98	0⅛	99½	99¾	25/5	10.19	10.23
Hispano 5⅛ 95	0⅛	98⅛	98½	20/4	10	10.77
Kansallis Osake 5⅛ 92	0⅛	99⅜	99⅝	1/8	10⅛	10.18
Nat Bk Canada 5¼ 91 $†	0⅛	99	99¼	5/7	10.44	10.53
Neste OY 5¼ 94	0⅛	98½	98¾	23/2	5¼	5.27
Quebec Hydro 5⅛ 94	0⅛	99¾	99⅞	19/7	10⅛	10.16
Saitama Int 5⅛ 93	0⅛	99⅝	99⅞	5/6	10.19	10.21
Sanwa Int Fin 5⅛ 92	0	99⅛	99⅜	15/8	10.19	10.28
Sumitomo 5¼ 94 $	0⅛	99⅜	99⅝	9/8	10⅛	10.18
Sweden 5¼ 2003 $	0⅛	99⅛	99⅜	17/5	10.18	10.21

Av. price changes: on day -⅛, on week -⅛

CONVERTIBLE BONDS	Conv. date	Conv. price	Bid	Offer	Chg. day	Prem
BBC Brown Boveri 4¼ 95	2/84†	188	100	101½	0	-7.85
Canon 7 97	7/82	688.2	227½	229½	+3⅛	2.32
Daiwa Sec Co 5½ 98	10/83†	481.8	102	103	-0⅛	-1.88
Fanuc 3¾ 98	1/84	9142	126¼	127¼	+1	5.25
Hitachi Cable 5⅛ 96	2/82	515	117½	119	+1	8.59
Honda Motor 5¼ 98	6/83	894	121½	122½	+1⅛	2.50
Honda Motor 5½ 97	3/83	759.8	138¼	139¾	+1⅛	0.88
Konishiroku Photo 4 98	10/83	673	102⅞	103⅞	-0⅛	4.82
Kyowa Hakko 8¼ 97	2/83	782	114	115½	-0½	6.94
Minebea Co Ltd 5½ 98	5/83	667	106⅛	107⅞	-0⅛	-1.42
Mitsubishi Electric 5⅛ 98	6/83	396	103⅛	104⅞	0	3.98
Mitsubishi Heavy 4⅞ 98	1/84	253	98	99	0	4.80
Murata 3½ 99	2/84	2938	125⅞	126⅞	+2⅛	5.71
Nippon Oil Co 5½ 98	4/83	984	110⅞	111⅞	+0⅛	5.82
Nissan Motor 5⅞ 98	4/83	709	102⅞	103⅞	-0⅛	8.97
Olympus Optical 6⅞ 97	12/82	1167	105	106½	0	8.78
Ono Pharm'Cal Co 3¼ 98	3/84	9480	117	119	+2⅛	13.28
Orient Leasing 5¼ 98	8/83	2588	107⅛	108⅛	+1⅛	9.13
Secom 5 98	11/83	2928	163½	185	+1⅛	-8.92
Yamaichi Sec Co 5 98	8/83	449.5	100	101½	-0⅛	-1.23
Yamanouchi Pharm'cal 4 98	10/83	1808	86⅛	87⅛	-0⅛	33.83
Bridge Oil 4⅞ 93 SF†	3/84	3.43	107⅛	107½	-1⅛	10.68
Nippon Airway 2⅞ 94 SF†	2/84	364	98⅛	98½	-1⅛	-2.46
Toshiba 2⅞ 94 SF†	1/84	391	109	109⅛	-0½	5.09
Asics 5 92 DM	12/83	520	108⅞	109⅞	+1½	16.45
Sum Realty 6¼ 92 DM	2/83	365	124⅛	125⅛	-0½	-7.36

* No information available-previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cu. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

هكذا من الأصل

FINANCIAL TIMES SURVEY

Terry Kirk

Bombings test nation's nerves

By MICHAEL FIELD

KUWAITIS were more shaken than one might have expected them to be by the bombings that occurred on 12th December last year. Within an hour and a half there were seven explosions, which killed six and injured more than 80.

By far the biggest bomb, and the only one to have involved the suicide of the bomber, was contained in a truck which was driven into the compound of the American embassy. It accounted for four of the dead, none of whom were Americans, and had it been properly made and exploded with its full potential force it might have killed many more.

The gruesome facts are that the Kuwaiti police were able to discover the identity of the bomber because they found the remains of his thumb. He was a legal immigrant from Iraq—all legitimate immigrants, including Westerners, in Kuwait have their finger prints taken on arrival. He was also a member of the Dawa Party. This is a revolutionary Shia Muslim organisation dedicated to overthrowing the Baathist regime in Baghdad.

Confessions

The Kuwaiti security forces quickly seized the men who were living with the dead Iraqi. From their confessions they then gradually arrested a total of 21 suspected accomplices, most of them Iraqis of the unorthodox and mystical Shia sect, who were put on trial on February 11. Another four suspects are still at large.

It is widely expected that those of the accused who are found guilty at the end of the trial, probably in mid-March, will be hanged. Meanwhile security has been tightened and a number of Shia immigrants expelled.

With hindsight it seems that some violent event such as the bombings was almost bound to happen in Kuwait. The state's neighbours, Iran and Iraq, are fighting a long and extremely bloody war. Kuwait has been giving Iraq financial help and supplying it with materials through its port at Shuwaikh.

The Iranians since the revolution of 1979 have been trying to cause unrest among the Shia populations, indigenous and immigrant, in all the Arabian oil producers. Since the early days of the war they have warned the Gulf states that they will be punished if they give support to Iraq.

Until December last year Kuwait had been little affected by the war, or by the conflict in Lebanon, which is of great concern to its large Palestinian population. The Shia holy month of Moharram had passed peacefully in 1983 and with only one or two minor incidents outside mosques in the year before. As in the United Arab Emirates, what other small bombings, assassinations and attempted assassinations there had been in the state had been directed by other Arabs against other Arabs.

Kuwait had taken advantage of Iraq's preoccupation with the war and the excellent relations it enjoyed with Baghdad, as the recipient of its aid, to consolidate its possession of Bubiyan island. This is a large, flat, uninhabited expanse, rising only a few feet above sea level, which together with Warbah island to the north was claimed by Iraq on several occasions in the 1960s and 1970s.

The Kuwaiti Government has recently opened a bridge to a police post on Bubiyan, but no road leads from it. There is talk of the Government establishing a naval base on the eastern side of the island and developing the south-eastern shore as a tourist area, but no action has been taken yet.

While Kuwait was more or less undisturbed by Arab violence or threats to its territory, the only Iranian action it suffered was the aerial bombing of an oil gathering station in the north of the state and a police post on its frontier with Iraq in the late summer of 1981. Now nobody doubts that the Shia bombings of last December were instigated by Iran.

Kuwaitis were so shocked by the event partly because they are not inured to a regular low level of terrorist violence in the way that citizens of most industrial countries are, and partly because they had probably come to hope that they would escape unscathed by the Iran-Iraq war.

They were also more nervous than normal because of their domestic problems. These include the activities of the religious fundamentalists, which have Kuwaiti opinion divided. Some of the bourgeoisie are genuinely alarmed and feel that the government should control the fundamentalists; others believe that they can only have a minor effect on Kuwaiti life and anyway will be judged by the voters in next year's elections.

More important has been the aftermath of the crash of the Souk al Manakh, the unofficial stock exchange on which the shares of Kuwaiti-owned but Bahraini or UAE registered companies were traded. The market collapsed in Setpember 1982 leaving a pile of post-dated cheques, with which the speculation had been financed, with a face value of $90bn.

For more than a year after the crash nobody in the state could be sure of the creditworthiness of any Kuwaiti. Even those who had not speculated on Manakh were threatened by the bad commercial debts of those who had invested and gone bankrupt.

Since the Government produced a general formula for the resolution of debts last autumn, setting 25 per cent as the maximum notional profit which an investor could make on any single transaction, there has been a trickle of settlements. The Government and the investors themselves have reached solutions on a case-by-case basis, tailoring settlements to the particular problems and requirements of individuals.

There has been no state-sponsored general clearing of debts, and there have been long delays in the Government announcing how it intends to dispose of the assets of bankrupts and distribute the proceeds among creditors. It is now said that an announcement will be made in late February or March.

Complex

The comment made by Kuwaitis and foreigners is that the Government has not proved itself able to handle a big, modern, complex crisis. The Government and Kuwaiti society as a whole still thinks and works most naturally on tribal and family lines.

There is no longer fear that the Souk al Manakh will lead to a major economic and social disaster, and the general level of concern about the crisis is ebbing at last—but in the process the business community has lost some of its confidence in the Government.

The merchants' dissatisfaction has been increased by the enormous drop in their re-export business with Iraq, which occurred a year ago when Baghdad ran out of money. They are saying that the Government should stimulate the economy by launching new projects rather than keeping its spending static, as it has done for the last year and intends to do in the 1984-85 budget.

The view of the Government and Kuwaiti politicians is that the issue facing the state is how it can find ways of spending less money, not more. For many years the Government's current spending as a proportion of its total disbursements has been rising, and with the prospect of oil revenues remaining static or falling in future, the increase has to be curbed.

This cannot be done entirely by reducing the numbers of immigrants in the state. To some extent welfare benefits and subsidies will have to be cut, which will involve the politically difficult process of lowering people's expectations. For example: at present consumers pay only one-fifteenth of the true cost of electricity but they are so extravagant that the average household still has a bill of £80 a month.

Few ordinary Kuwaitis understand that the Government may not be able to continue to subsidise them to this degree. If the Government reduces its subsidy they will argue first that it has the money, and then that it is not they, the relatively poor, who should be penalised but the rich Kuwaitis.

One of the problems of the Government as it faces these issues is that in the last five or six years Kuwaiti society has come to realise that there are citizens in its midst who are not actually poor but who lack capital and who stand little chance of accumulating it.

These people are not only recently naturalised Bedouin Kuwaitis, who work as guards, doormen and drivers. They are well-qualified, professional men, bankers and civil servants, who have no capital because their family never owned any land or sold it too soon after the development of the state began in the early 1950s.

The individuals' families own large houses, but they have moved out of these homes into small rented villas or apartments when they have married. During the last 10 years the trend towards extended families dividing into couples has enormously increased the demand for housing in the state.

High rents

A large part of the income of the couples is spent on paying high rents. Even on a banker's salary a Kuwaiti cannot expect to save or borrow the $1m or more that is needed to buy a middle-class suburban house of his own.

The Government used to help capital-poor house buyers by giving them a plot of land and KD51,000 (about $175,000) as an interest-free loan. When this proved inadequate for buying or building the substantial abodes expected by Kuwaitis it was found that buyers borrowed more money at commercial rates and then ran into difficulties when it came to repayment.

Consequently the Government has started building houses — of different sizes for different income groups — and giving them away. The problem now is that the houses are not being built fast enough, not because of a shortage of money but because of a slow-moving bureaucracy.

ON OTHER PAGES

KUWAIT 2

Politics

State adopts relaxed approach to controversy over religion

"THESE PEOPLE want to put Kuwaiti society back 100 years," said a Kuwaiti businessman earlier this month, referring with typical exaggeration to the Islamic fundamentalists in the state. "They are not concerned at all with the big issues that are facing Kuwait now; they have introduced into the National Assembly a lot of completely irrelevant demands which would simply make this state a less efficient and pleasant place in which to live. They are not interested in the opinions of anyone else."

Islamic fundamentalists

MICHAEL FIELD

Moslem women walking through a crowded street. Fundamentalists want to impose tighter controls on female dress

The views of this businessman are repeated by many of the prosperous Kuwaiti middle class. It is said that if the fundamentalists have their way women will be forced to wear veils, will have their driving licences revoked and be prohibited from working. Music on television, mixed bathing and dancing in public will be banned.

Recently *Khaled Sultan*, the most firey of the fundamentalist deputies in the National Assembly, proposed that if two Kuwaitis saw a third drinking in a foreign country their evidence should be sufficient for a conviction at home.

People's anxieties are increased by the aggressive behaviour of the young fundamentalists. A Kuwaiti banker a week or so ago greeted a bearded youth only to see him spit at the ground. The same man, entering the Islamic *Finance House in Kuwait*, saw one of the institution's employees coming through the door ask a woman customer to step aside 10 feet so that he might not defile himself by touching her.

Those who dislike and fear the fundamentalists feel that the Government should now do something to curb them. The argument runs that the fundamentalists are using "devious means and methods to gain power," as a Kuwaiti put it, and that the authorities so far have shown them special indulgence because their demands have been cloaked in the mantle of religion.

Conventional

The Kuwait Finance House, the state's Islamic banking institution, has been allowed to deal in real estate and to trade—in items as varied as cars and chickens—activities from which the conventional banks are excluded. It is now building the vast Al Muthanna residential and comemrcial complex on a prime site on Fahd as Salem street, for which, it is said, no other institution would have been given planning permission.

The school of thought opposed to the alarmists, which is equally widespread among the Kuwaiti bourgeoise, holds that fundamentalism is a passing phenomenon, just as were the various left-wing nationalist ideologies of the 1950s and 1960s.

This view was summed up by two Kuwaitis. One of them, Suliman Mutawa, a senior manager in Kuwait Oil Company, said that generally his position was that Kuwaitis should "sit back and relax" and say to themselves "this is a democracy and may the best man win."

The other, Shaikh Salman Duaij, the Minister of Justice, made the same point in more traditionally Kuwait commercial terms. "Because we have tolerance in Kuwait," he said happily, "it is just like a market — you come and you present your goods."

The relaxed view is also the official one. The rule of the Sabah family has always been reactive rather than assertive. It bends with the wind. In the 1960s, when Nasserism was sweeping the Arab world, *Kuwait had a Ministry of Guidance* (now Information) and a five-year plan. Today the Ruler's speeches are thick with quotations from the Quran.

Earlier this month Kuwait was party to *a decision by the* Gulf Co-operation Council states to introduce Shariah law—the Islamic code based on the word of God in the Quran and the traditions (sayings and actions) of the Prophet Mohammed. However, the Government said that the law could not be applied immediately. It could only be introduced in stages and after careful study.

Unambiguous

The scope for the Government to delay in this matter, while making the right noises, is endless. The Shariah—literally "the road" by which Muslims should live their lives — is not a fixed body of law with a definite number of articles. There are some points on which the Quran is unambiguous, but there is a great range of other issues, including many of those which concern the role of women, which are open to interpretation, ijtihad. Even in Saudi Arabia there are learned men who disagree over whether or not women should work.

The evidence of the fundamentalists' achievements in Kuwait suggests that the Government is right to take its relaxed view. So far they have arranged the separation of girls and men in the university, had mixed bathing declared against the rules in certain clubs and banned a few television programmes. Most conspicuously, in the eyes of foreigners, in March 1983 they abolished the exception to the 1964 prohibition law that allowed embassies to import alcohol.

None of these changes has had much impact on Kuwaiti society. As Suliman Mutawa put it, "in a sense we've conceded quite a lot of things we never really wanted or cared about." Certainly Kuwaitis are not very concerned about diplomats having to drink more Perrier. Likewise, although they watch the TV news, most of their *entertainment at home for the last* six or seven years has come from video films, not from programmes on television.

The fundamentalists in Kuwait are less numerous than *the noise they make suggests*. Most of them are young people whose ideas have come from other Arab students whom they have met at university in the United States. Like members of other youth movements, much of their attention is focused on destroying what their elders have created.

Nobody among the Kuwaiti elder generation seems to deny that the resurgence of the Islamiyyin, as the fundamentalists call themselves, is mainly a response to the total failure of *earlier secular Arab* ideologies. "I have nothing to offer my son," is a common comment of Kuwaitis in their 40s and 50s.

It is also suggested that the young would form themselves into other groups if opposition parties were allowed in Kuwait. To some extent in all Arab countries fundamentalism provides *a disguise for political opposition in general*, because it cannot easily be criticised by *the authorities*.

The Kuwaiti Islamiyyin are not a united group. The orthodox Sunni Muslims, who are in the majority, are divided between the *Ikhwan Muslimin*, the *Muslim Brotherhood*, which was founded in Egypt in the 1930s, and several more modern groups. The most prominent of these is the *Jumaiyat Ahya al Torath al Islami*—the Society for the Revival of the Islamic Heritage, whose members wear long beards and short dishdashas and are known as *Salafiyyin*, Forerunnerists. Other groups are the *Shebab Mohammad*—the Youth of Mohammad, and *al Takfir wa Hijra*—those who are going from the *kafr*, the people who do not properly observe their religious duties.

Established

The Shia Muslims have their own groups which are divided in their views on the Iranian revolution and its religious leader, the Ayatollah Khomeini. Some of the Sunnis, including the *Salafiyyin*, regard the Shias as anathema, others have been prepared to let a few of them join the well established *Jamayat Islah al Ishtimiya*, the Social Reform Society. In the *National Assembly Sunnis* and Shia Islamiyyin co-operate on an *ad hoc* basis.

In the Assembly, which has 50 elected members, there are three Shia fundamentalist deputies, *two of broadly Muslim* Brethren sympathies, and two Salafiyyin. The last group is composed on Jasim Mohammad Abdul-Moshin Kharafi, who is the eldest son of Kuwait's biggest contractor and the chairman of the Assembly's Finance Committee, and Khaled Sultan, who is chairman of the Society for the Revival of the Islamic Heritage.

The bearded Khaled Sultan, whose dishdasha ends half way to his knees, is the man by whom Kuwaitis love to be *frightened. He is given to* unleashing mighty tirades in the Assembly, through which titters *from the other deputies* can sometimes be heard, and he occasionally makes spectacular blunders. Recently, when he was inveighing against the holding of an ungodly television festival in Kuwait, the foreign and information minister, the ruler's brother, Shaikh Sabah Ahmed, interrupted him to demand what the Quran said on the subject.

At the other end of the fundamentalist spectrum in the Assembly is Eassa Majid Shaheen, *whose views* are broadly in line with those of the Social Reform Society and the *Muslim Brotherhood. He is* regarded as being at least as interested in general social and political reforms, particularly concerning the rights of individuals, as in purely Islamic legislation.

The feeling in Kuwait is that in the next Assembly elections, to be held in a year from now, the Islamiyyin will lose seats. They entered the Assembly for the first time in the 1981 elections, which also saw the eclipse of the traditional nationalists.

In the previous Assembly, which was dissolved in the summer of 1976, there was a very influential group of strong nationalists, *including such* names as Dr Ahmed Katib and Abdullah Nibari, who were radi*cals, and Jasin Qatami*, a moderate. All of these men lost their seats in 1981, partly, they say, because the Government made great efforts to see that they did so.

They have had nationalist successors in the Assembly, but, with one exception, the new men have been lukewarm and inconspicuous.

According to the original nationalists, the concensus in the *dawawin*, and the *majles* or council chambers of Kuwaitis, is that the Assembly is the poorer for their absence. They intend to fight again in the 1985 election and they think that they have a good chance of regaining their seats. They believe that the Government will *be less opposed to them this* time, and they say that they have now had time to work out *which of the 25 constituencies* hold the best prospects for them.

It is also believed that some of the big merchant families will be putting up candidates in 1985. In the *present* Assembly there are very few members of the oldest families—Jasim Hamad al Sagar, the Chairman of the Foreign Affairs Committee, and Jasim Mohammad Kharafi are the most conspicuous examples. In the first Assembly, in the early 1960s, there were many merchants, but recently it seems that members of these families have stayed out of politics for two reasons—the demands of their businesses and their reluctance to expose themselves, and their wealth, to popular *attention* in the hustings.

The problem for the nationalists (and any merchant candidates) in running against the Islamiyyin is that it is not *easy to attack religious policies*, especially in a society where many of the electorate are ill-*educated* and respect outward signs of piety.

The example given by *Abdullah Nibari* is that he cannot criticise the building of mosques "on every street corner and in every school," even though the school day coincides with only one of the five prayers, because the people will say "Why not? We have the money and mosques are godly." They do not immediately think that mosque building requires more foreign labour, which in turn needs housing.

The nationalists therefore resort to saying that the fundamentalists have failed to revolutionise Kuwaiti life in the way they promised to do in 1981 and that, anyway, their concerns are irrelevant to the main issues facing the country. The fundamentalists have been weakened by the bombings of last December, which have made Kuwaitis feel that the extreme fringe of the movement is a threat to the security of the state.

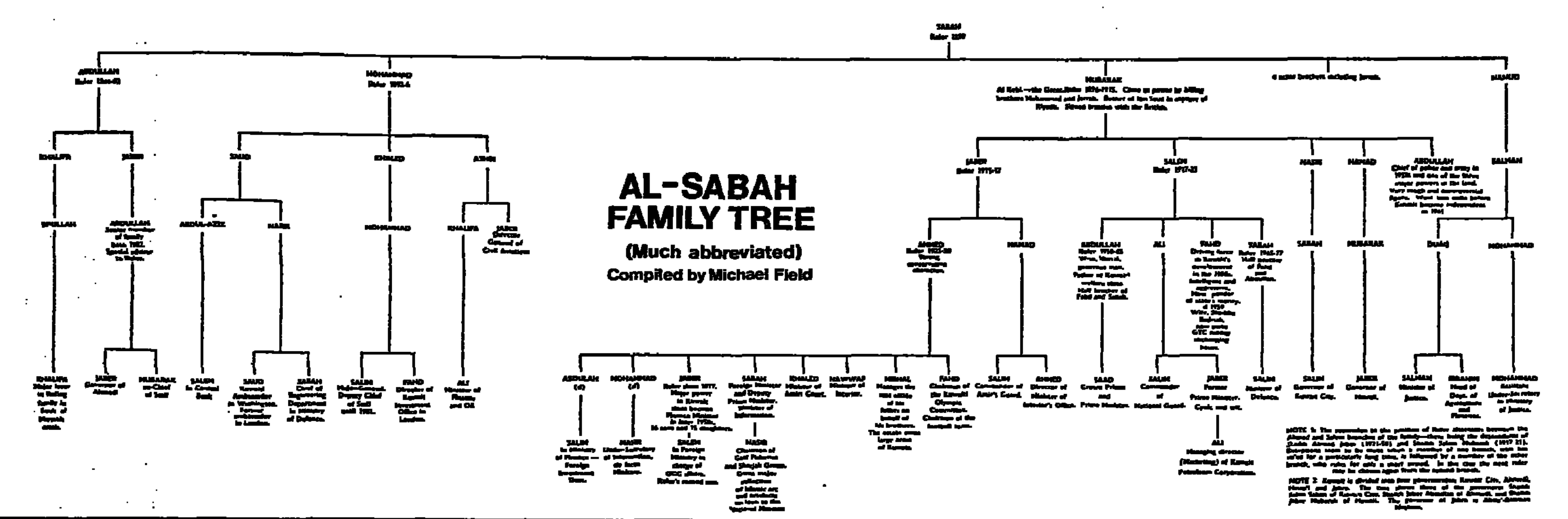
Legislation

The Islamiyyin, of course, disassociate themselves from the bombers, whom they point out were Shias, and they say that it is simply untrue for anyone to claim that they are concerned only with Islamic issues. Among the recent Assembly legislation which they have sponsored alone or with others has been an *increase in state* pensions, the institution of a Higher Housing Board and the *repeal* of the law which stated that anyone dismissed from his post by the Council of Ministers could not appeal to the courts, apply for another government post or stand for election to the Assembly.

Islamiyyin-backed bills now before the Assembly include a proposal to remove the Interior Ministry's right to close controversial legal cases and an Islamic proposal prohibiting the use of women in advertising. Eassa Majid Shaheen, who presented the latter bill, states that he has no intention of following it with proposals which would restrict the freedom of women in other ways. He is in the process, he says, of teaching his wife to drive.

Despite the arguments they put forward in their own favour there are signs that electoral opinion is swinging against the Islamiyyin. Four months ago they lost ground in elections in the university faculties, after gaining places steadily for ten years. More recently they lost places in elections in the Graduate Society, a well-known body to which many of the Kuwaiti intelligentsia belong.

The great strength of Kuwait in its dealings with the Islamiyyin, *Kuwaitis* say, lies in these minor elections and in the major elections for the National Assembly. The state's partial democracy removes from the Government the need to decide on whether or not it should respond to complaints about fundamentalist activities. It can wait and see what the voters decide in 12 months time.




Jaber, ruler since 1977

Loss of confidence fuels fears over internal divisions

Communities

MICHAEL FIELD

IN THE past 18 months Kuwait has been a less confident place than at any other time in the last decade. Since September 1982 it has been preoccupied—at times obsessed—with the crash of the Souk al Manakh. In December last year it was jolted by a series of bombings by Shia fanatics.

Not surprisingly these shocks have made the Kuwaitis introspective. They are worrying more about their minority status in their own state; Kuwaiti citizens account for only 600,000 (40 per cent) of a population of about 1.5m. They have also become more aware of community divisions within their own ranks.

The divisions in Kuwaiti society are not rigid or easy to discern — the nation could be dissected in any one of several different ways — but Kuwaitis agree that it is reasonable to divide them into six groups, as follows:

● Original settlers: Kuwait was founded in the mid-18th century by a group of families from the Anaizah tribe, which has its home in the area of north-western Arabia around the Nefud desert.

The group was driven from its tribal lands by drought, as emigrants from the Nejd (central Arabia) usually were, and after living for a time further south on the Gulf coast, it established a settlement on a piece of uninhabited shore on the bay of Kuwait (meaning "little fort").

The leading family of the emigrants was the Sabah, which has ruled the state since one of its members negotiated an informal independence from the Ottoman governor in Mesopotamia, to the north. Other families were the Ghanim, now Kuwaiti agents for General Motors, Sagar, whose present head, Abdul-Aziz, is chairman of the Chamber of Commerce, Qatami, Badr, Roumi and Shamlan—the last two of which used to be the same family.

Other families sometimes imply that they too arrived with the Sabah, but there seems to be a consensus among older Kuwaitis that the true founders of the state were the seven names listed above.

● Later Nejdi settlers: During the 200 years after the foundation of Kuwait more families came to the state from Nejd, either directly or via Zubair, which is an almost purely Nejdi town in southern Iraq. Families in this group include such famous names as Bahar, Hamad and Babtain, the last two of which are former Zubairis who left Iran in the past half-century.

● Kenaat: There is some debate as to the origins of the Kenaat. The late Shaikh Yusuf bin Isa Kenai, the former leader of the community and chief qadi (judge) of Kuwait, said in a small book that originally his family group came from Nejd, though before moving to Kuwait it settled in Iraq. Other Kuwaitis say that the Kenaat come from an old southern Iraqi community known as Sabbe. Unlike much of the rest of the population of southern Iraq they have always been Sunni Muslims.

Established

Nobody questions that the Kenaat have been long established in Kuwait, though they remain distinct from the Nejdi families. They inter-marry, work with each other and support each other to some degree. They are fair skinned and are regarded as being an intelligent, able people. In Iraq they were famous for their long beards and excellent silver work.

Kuwaiti families belonging to the Kenaat are Mutawa, Saleh (which is an offshoot of Mutawa), and Sultan bin Eassa and Yusuf bin Eassa, which became two families only a generation ago.

● Persians: The big Persian families in Kuwait are few in number. Much the best known are the Behbehanis, who run two large trading companies and are major holders of land and shares in Kuwaiti companies, and the Qabazards, who are long-standing supporters and servants of the Al-Sabah. Less well-known families are Maarafi, Bahman, Dashti, Awadi and Kandari. All of the Persians, except the last two families, are Shias. (The Gharaballys, despite having a Persian-sounding name, are Sunnis from southern Iraq).

● New Kuwaitis: A few of the new Kuwaitis are Palestinians who have been granted Kuwaiti nationality. The great majority are bedouin, many of them members or former members of the Kuwaiti security forces, who have been granted second class citizen status. This entitles them to Kuwaiti welfare benefits but not the vote.

There is a very noticeable difference between the bedouin and the established Kuwaitis of all other communities. Until recently the bedouin were pastoralists, whereas the urban Kuwaitis before the late 1940s were seafarers in regular contact with the outside world.

Now the bedouin Kuwaitis are poorer and much less well-educated. In elections the campaigns in bedouin constituencies are more concerned with basic welfare issues than they are elsewhere in the state.

Awareness

● Shias: The Shia community overlaps partly with one of the other communities in the state: most of the Kuwaiti Persian families are Shias. Other Kuwaiti Shias — most of them belonging to poorer families than the Persians — have come from Iraq and the oases of Hasa and Qatif in eastern Arabia. In all it is thought that there may be 150,000 Kuwaiti Shias — representing about a quarter of Kuwaiti citizens.

As well as the Kuwaiti Shias, there is a substantial population of immigrant Shias in the state. Most of these are labourers, skilled and unskilled, from Iraq and Iran. It was among these people that the bombers of last December moved.

In part the new awareness of community divisions in Kuwait has been brought about by Iranian propaganda, which since 1979 has tried to foment unrest in the Arabian oil producers by making the Shi'ites conscious of a separate identity. It has urged them to look to their Iranian co-religionist, the Ayatollah Khomeini, as their spiritual and political leader.

In other ways community consciousness has emerged from within Kuwaiti society. In elections in the 1970s Shi'ite religious groups in constituencies with large Shi'ite populations began the practice of holding informal primaries so that they could have only one or two candidates to run against the Sunnis.

When the last election was held, in 1981, the Sunnis responded with their own primaries. The practice has continued since in municipal elections. The constituencies affected are five out of a total of 25 in the state. The other 20 have such large Sunni majorities that they are bound to return Sunni deputies.

Another divisive influence has been the Souk al Manakh crash. There is no question that the greatest number of investors on the Souk came from various categories of relatively poor Kuwaitis — new Kuwaiti citizens, the children of established but not spectacularly rich families who had set up households on their own, and members of families which had not been wise or lucky enough to lay the basis of a fortune in land or trade in the early days of oil. Members of the big Nejdi families mostly stayed away from the Souk because they had enough money not to need to gamble.

It followed that most of the people who lost money in the crash were "have-not" Kuwaitis, who felt before the share price boom that they did not have a foothold on the ladder of wealth and are now embittered by their failure to secure one. The "poorest" among these people, those holding post-dated cheques with a face value of less than KD 2m, are being baled out by the government.

Spectacular

In some reports of the aftermath of the crash the social divisions caused by the disaster have been exaggerated. The most spectacular bankruptcies involved members of the Kenaat — two brothers in the Mutawa family, Jasmin and Nejib—but it is quite wrong to suppose that there were not very big fortunes among the Kenaat before anyone heard of the Souk al Manakh. The Gulf Bank was founded mainly by members of the Kenaat.

Conversely there were big losses among members of Nejdi families. One of the losers was Shaikh Khalifa Abdullah, a second cousin once removed of Saikh Abdullah Jaber, the distinguished senior member of the Sabah family and special adviser to the Ruler.

In all aspects of Kuwaiti life the divisions between communities have caused too much anxiety among Kuwaitis and foreigners in the last year.

Traditionally the division between Sunnis and Shias has been much less obvious in Kuwait than in Bahrain, where the Shias form a majority of the population, or in the Saudi Eastern Province.

There are mixed business partnerships, notably that of Abdul-Rahman Bisher (a Sunni) and Zaid Kazemi (a Shia), who run the highly successful Mercedes franchise. The founders of the Alahli Bank were both Sunni and Shia merchants.

Those Shias who belong to the big Persian families are competely integrated into the Kuwaiti establishment. Kuwaitis are less conscious of their Iranian ancestry than Bahrainis are conscious of the ancestry of the leading Bahraini-Persian families, of either Sunni or Shia beliefs. The *dawawin (majles)* of the Behbehanis and the Qabazards are among those visited by the most important families on feast days.

Before their recent troubles the social division perceived by Kuwaitis was not within their own ranks but between themselves and the immigrants in their state. When the present unease fades the Kuwaitis will gradually return to this view of the world.

Who's who in public life

Commerce and Industry
Minister: Jassim al Marzouk
Under Secretary: Abdullah Hamad al Hamad
Communications
Minister: Issa Ibrahim al Mazidi
Under Secretary: Abdul Rahman K. al Ghunaim
Defence
Minister: Sheikh Salem al Sabah al Salem
Under Secretary: Abdul Razzak Youssef al Khamis
Education
Minister: Dr Yacoub Youssef al Ghuneim
Under Secretary: Abdul Rahman al Khudari
Electricity and Water
Minister: Khalaf Ahmed al Khalaf
Under Secretary: Zeyid Fahd al Zeyid
Finance
Minister: Sheikh Ali Khalifa al Sabah
Under Secretary: Abdul Mohsin Youssef al Hunaif
Foreign Affairs
Minister: Sheikh Sabah al Ahmad al Jaber
Under Secretary: Rashid Abdul Azziz al Rashid
Housing
Minister: Hamad Issa al Rjaib
Under Secretary: Abdul Wahab al Awadi
Information
Minister: Sheikh Sabah al Ahmed al Jaber
Under Secretary: Sheikh Nasser Mohammed al Sabah
Interior
Minister: Sheikh Nawaf al Ahmed al Jaber
Under Secretary: General *Youssef Bader al Kharafi*
Justice
Minister: Salman al Duaij al Salman al Sabah
Under Secretary: Abdul Azziz al Mutawa
Oil
Minister: Sheikh Ali al Khalifa al Sabah
Under Secretary: Mahmoud Khalid al Adasani
Public Health
Minister: Dr Abdul Rahman al Awadi
Under Secretary: Dr Na'el A. al Nakeeb
Public Works
Minister: Abdullah Dakheel al Rushaid
Under Secretary: Mohammed Abdul Hamid al Sannae
Social Affairs and Labour
Minister: Hamad Issa al Rujaib
Under Secretary: Issa Yousef al Yaseen
Awqaf and Islamic Affairs
Minister: Ahmed Saad al Jaasir
Under Secretary: Mohammed N. A. al Hamdan
Planning
Minister: Dr Abdul Rahman al Awadi
Under Secretary: Fuad Mulla Hussain
Cabinet Affairs
Minister: Abdul Azziz al Hussein
Emiri Diwan Affairs
Minister: Sheikh Khalid al Ahmed al Jaber al Sabah
Under Secretary: Mohammed Darwish al Aradi
Parliament
Speaker: Mohammed Youssef al Adasani
Deputy Speaker: Ahmed Abdul Azziz Saadoun
Kuwait Fund for Arab Economic Development
Director: Feisel al Khalid
Municipality
Director: Abdul Azziz Yousef al Adasani
Central Bank of Kuwait
Governor: Abdul Wahab al Tamarr
Kuwait University
Director: Dr Abdul Razzak Mishairi Odwani
Kuwait Ports Authority
Director: Dr Ibrahim Makki
Department of Civil Aviation
Director: Sheikh Jaber al Athby al Sabah

Ministerial trio: the ministers of Emiri Diwan Affairs, Foreign Affairs, and the Interior

Cutting back the handouts

KUWAIT is as much known for being THE welfare state as it is for being an oil-rich state. There is no better illustration of this appellation than the fact that the state has been paying a monthly allowance of up to KD 1,000 ($3,402.5) to those stock market speculators who are in receivership.

This welfare state provides free education, free health services and heavily subsidises such items as electricity, water, fuel including petrol, housing, food, *telecommunications* and transport.

Electricity and water are the largest items of Government expenditure—accounting for 19 per cent of the total. Education comes third (after defence) representing some 10 per cent and health services another 6 per cent.

Welfare services

MARGARET HUGHES

To an outsider it seems incongruous that a *country with* the highest per capita income in the world should need such generous welfare services.

But the Government points out that they are one of the vehicles for distributing oil wealth to the population. Now that oil revenues are down and Government spending has become less expansive, it is taking a closer look at those welfare services, however. There is acknowledgement that services which cost the user nothing are rarely fully appreciated and often abused.

That the monthly allowances to those in receivership were stopped at the end of last month is evidence that the Government *is in a less generous frame of* mind. A broader indication of this may well be seen in the upcoming budget.

Priorities

The Planning Minister, Dr Abdul Rahman Al Awadhi, who is also Health Minister, says that the Government is "still establishing its priorities." He adds that expenditure on welfare services would, like every*thing else, have to be contained,* but every effort would be made "not to reduce expenditure which would affect the daily life of the people."

Dr al-Awadhi does not anticipate the same growth in expen*diture on welfare services* as there has been in the last five or six years. But to a large extent the education and health services are now well established and, in his view, standards of both could be main*tained even* if there is no increase in budget allocation this year. He indicates that any reductions in spending may not be implemented until the *following* budget.

But the Minister said that *efforts* were already being made to improve the efficiency of the welfare services. For example, the ratio of pupils to teachers, or teaching hours per teacher, and patients per doctor, were being gradually increased.

The Government is also making savings on the more peripheral aspects of welfare services. Last year it stopped providing free school meals and this year it stopped supplying school uniforms, except to the very needy.

It is also considering the introduction of nominal charges *for some health services—a* sort of "hindrance" charge is how the Minister described it to discourage use of the health service except when really necessary.

At present, all health services are free for both Kuwaitis and non-Kuwaitis. The only charge is for a private bed, other than those required by cardiac or other intensive care patients. Kuwaitis pay a nominal charge of KD 1 and non-Kuwaitis KD 5.

The charge for a private bed in a private hospital is around KD 30. These charges are shortly to be increased, though not sufficiently to cover the full costs, while the treatment will remain free.

Patients are also likely to have to start paying for any cosmetic, rather than essential, treatment or surgery and this will include dentistry.

The import of drugs which are also free is also being restricted by limiting varieties of the same preparation.

Kuwait *operates its health* service on a regional basis (of which there are five) with a network of general clinics, providing GP services, polyclinics, providing more specialist services such as opthalmology and dentistry together with general and specialist hospitals.

Where treatment is not available in Kuwait, then the Government pays for treatment abroad for Kuwaitis and exceptionally, *for non-Kuwaitis* who are *long*-term residents.

Kuwait *now spends* some KD 179m on its health service. There are 5,471 beds compared, with only 700 or so, five years ago. It employs 2,487 doctors, providing one doctor per 574 head of population. This compares with some *600* beds and 239 doctors in the private health *sector.*

Recent developments in the *educational* field *confirm* that the former blanket approach to welfare services is being gradually replaced by a more practical strategy.

As part of the overall policy of reducing expatriate recruit*ment the government is putting* increasing emphasis on technical education.

In 1982, a Public Authority for Applied Education and Training was established, since when four specialist educational institutes have been opened. These are the Institute for Applied Technology, a Teachers Training Institute, a Business Institute and a Health Institute—for girls only. These have expanded rapidly and now *have some 5,720 students.*

The country's "parallel" edu*cation system has also been* upgraded. It was originally introduced to provide a basic education for the "drop outs" from the conventional educational system, and has now been extended to provide formal education and technical training for unskilled labourers.

A four-year course provides training in a choice of skills such as carpentry, electrical installation, welding and plumbing.

Kuwait currently spends some KD 233m a year on education. There are 79 kindergarten schools, 179 primary, 145 secondary schools and one university wth seven faculties. The Government also pays for Kuwaitis to study abroad—some 2,682 last year, almost half of them in the U.S. This compares with 8,656 Kuwaitis studying at their own university.

There is a good deal of criticism of the educational system from expatriates who are denied access to free schooling. The only expatriates who are able *to send their children to free* Government schools are those in the professional classes and, even then, the demand far exceeds the places available.

Additional places are allocated to the children of long-term residents, but *last year* the allocation of places for these pupils was halved.

Expatriates are, therefore, forced to send their children to expensive private schools of which there are 204.

Last year alone, there was an increase of 12.5 per cent in the *number of pupils at private* schools to 77,967. By comparison the number of students at government schools is 334,942.

The Government would like to cut subsidies on water and electricity, but has to reach *agreement first with* other Gulf Co-operation Council (GCC) countries. Electricity costs the consumer the same 2 fils a unit as it did 22 years ago yet costs are now more than 15 times that. Although gasoline prices were recently doubled they are still 50 per cent below market prices.

The Government plans to increase them gradually over the next five to six years, but even then there is no intention that they should be brought up to market prices.

There are no plans for cutting food subsidies, although it is recognised by those most directly involved that the burden is too high. The prices of subsidised foods which are available to everyone are held at 1972 prices.

The amount of subsidy depends on fluctuations in world commodity prices—some products like tea, for instance, no longer need to be subsidised because world prices now are no higher than in 1972. The bill totalled some KD40m in 1982 but was lower in 1983.

The most subsidised product at present is rice, to the tune of 80 per cent, whilst the price of animal feedstuffs are also subsidised by as much as 50 per cent.

Government housing is available to all Kuwaitis who are married, in employment and are not property owners. They pay a nominal monthly rental ranging between KD 12 and KD 65 depending on income until a house becomes available or an allowance of KD 100 a month is paid.

Target

The Government's housing programme is implemented by a semi-autonomous body — the National Housing Authority which was set up in 1974. More than other welfare services the Housing Authority has problems in keeping pace with the population growth and demand for housing. The authority's target under its current five year plan (1981-86)—to add 36,000 dwelling units — would only have coped with the backlog which the authority started with at the onset of the plan, while some 12,000 new applications are added each year. But the shortfall will be even greater following the intervention of the recently formed Higher Council for Housing.

The council has frozen all high-rise block developments, some of which had already gone out to tender because they are not popular — Kuwaitis prefer villas. It has also increased the plot area per dwelling from 300 sq metres to 400 sq metres — all mid-plan.

"This has created great problems for us," comments a housing authority official. "We are constantly having to adjust to new regulations.

"The council's rulings," he says "will mean that we will only achieve half our plan target. We are already one year behind schedule."

The authority's annual budget ranges between KD 110m and KD 130m a year. It is seeking an increase to KD 140m in the hope of making up some of the shortfall in its target.

هكذا من الأصل

State and merchants diverge on priorities

Economic trends

KATHY EVANS

UNTIL recently the interests of Kuwait's merchant community had been more or less identical to those of the Government. What was good for the merchants was good for Kuwait, so the reasoning went.

In the past two years, the two parties have had an uneasy relationship. This is largely due to the *Manakh stock* exchange crisis, which many businessmen felt could have been avoided if the Government had been sufficiently alert to the dangers of what was going on. Many blame the Government for the fact that 1984 could be the gloomiest year for the country's economy since the Second World War.

In the next year or so, the interests of government and business could diverge further.

The private sector is anxious to get the economy off its knees, jerked back into life by an increase in development expenditures from the Government.

The state has other considerations. The Government is interested in cutting the fat and waste in the budgets and bringing expenditures more into line with the level of oil income the country is receiving. The budget deficits have been growing every year for the last three years, and now are edging close to the levels of the investment income. In other words, the cushion is looking increasingly lean.

Moreover, the Government is concerned that the ratio of Kuwaiti nationals in the population is declining, and it appears more serious about its ambitions to cut back the number of foreign residents. The private sector on the other hand depends on market growth.

But for both sides, there is one absolute necessity—continued security and stability. In the past year, the economy has been traumatised by the impact of a major stock exchange crash and a spate of bomb attacks on one day in December. Furthermore, one of the bloodiest wars ever seen in the Middle East is being fought just a few hundred miles from Kuwait city.

Sheikh Ali Khalifa: selecting *his priorities*

December's car bomb explosions did not lead to an outflow of money, but if another round of attacks on Kuwait does occur, then confidence in the state's security could rapidly evaporate, with disastrous results on the economy.

Even assuming stable conditions in 1984, the next 10 months do not look promising. This year will see the full impact of the stock market collapse.

Reacted

The Manakh cloud has been hanging over the economy ever since the crash in September 1982. Demand has slumped in the local market and imports are expected to show a drop in 1983. Many local companies have reacted by closing down unprofitable ventures and cutting staff by as much as 20 per cent.

The property market has taken a nosedive, particularly in the second half of last year, and office rents have fallen by 30 per cent—perhaps to more realistic levels, add the local real estate agents.

The Manakh problem has also led to a stagnation in money supply. In the last fiscal year it moved up only 0.1 per cent, compared with 26 per cent the year before.

Many local businessmen believe that the temporary bubble of fortunes made on the Souk al Manakh exchange masked the true sickness of the Kuwait economy—the fall off in the re-export trade. About 40 per cent of all imports into the country are normally destined for the re-export market.

Trade with Iraq has slumped precipitously, and in Saudi Arabia, another major customer for Kuwait, stocks are already too high. Many neglected the re-export market during the heydays of trading on the Manakh exchange, and the loss of custom may be difficult to retrieve.

Imports fell by nearly 4 per cent in the last fiscal year, and by the end of 1983 local shipping circles were reporting a drop of about 25 per cent in tonnage handled on the Gulf-Europe routes. Visa restrictions on visitors are expected to dent sales further.

Both the Government and the merchants are now trying to reconcile their ideas on how to stimulate the economy, and a committee consisting of bank representatives, the chamber of commerce and various ministries has been established to study the matter.

Bankers believe an extra KD 500m on the development budget would do the trick, but with oil income promising to be stagnant at $11bn in 1984, this is unlikely to happen.

Some businessmen think that the restrictions on re-exports should be lifted (they are currently limited to 30 per cent of any shipment) and that measures should be taken to curtail the growing role of the co-operatives. Local companies are also expected to push for more contracts to be awarded to them, rather than to foreign firms which spend very little money in the state.

The government, too, has been bruised by the Manakh experience. So far some KD 2.2bn of public money has been spent, or put aside, to cope with the fall-out. This money has been drawn from investments.

Investment income is not counted as budget revenue in Kuwait, and thus the deficits the Government speaks of can generally be regarded as theoretical.

The oil income of the state, which provides 92 per cent of budget revenues, has fallen dramatically since 1981. The first half of 1982 showed a 41 per cent drop over the first six months of the previous year, following a 60 per cent drop in the volume of exports and a 9 per cent drop in prices.

In 1983, when prices went down by a further 15 per cent, the value of exports is expected to show a further 3 per cent drop, despite an 18 per cent increase in production.

Priority projects

Local bankers believe that the deficit on the budget has risen from KD 400m to KD 568m for the current fiscal year. Preliminary estimates for the forthcoming budget in June are as high as KD 800m.

Sheikh Ali Khalifa, the Finance Minister, says the Government will be spending only on priority projects, which the country needs now, and on those projects which have a high local content—which can be awarded to local contractors. "It will be schools before ports, you might say," he explains.

Contrary to the hopes of the private sector, the budget will not in any way be reflationary, but there will be a "small, inevitable natural increase in spending, nothing more."

The current budget for 1983/84 estimates revenue to be KD3.04bn, based on a projected average daily oil production of 937,000 b/d. Development projects have shown only a modest KD 83m increase over the previous year's figure of KD 729m. Transfer payments, which include aid and commitments under various summit agreements, have shown a decline from KD 1.31bn to KD 1.28bn.

Subsidies continue to grow, however. The goods and services category, which includes the fuel subsidies given to the Electricity Ministry, jumped from KD 398m to KD 517m. Subsidies on refined products sold to the local market have lessened since the doubling of prices last year, and financial assistance has been cut back to a number of state organisations, including Kuwait Airways.

Until recently, the growing deficits were easily absorbed by the income reserves derived from the country's investments. But in the last two years that source of income has been hit by lower international rates of interest and the requirements of the Manakh problem.

Investment income in the 1980/81 period was at a peak, producing KD 1.7bn in revenues, but by the following fiscal period it had fallen to KD 1.3bn. Preliminary figures for 1983 show that investment income is expected to decrease by a further 17 per cent.

This year's figures will look better, but only because of the funds received from the sale of assets which were necessary to pay for the Manakh crisis. Next year's income could see a drop of 20 to 25 per cent as a result.

The next year or so in Kuwait will see a lot of "making do," stretching existing facilities to cope with increased demand.

The Finance Minister, Sheikh Ali Khalifa, says that some effort will be made to make those who can afford it pay more if they consume more, and hopefully in this way some dent will be made in the massive subsidies given to the Electricity Ministry for example. At the moment more is spent on subsidised fuel to that sector than on defence.

GOVERNMENT BUDGET

(KD m)

	1981-1982 Actual	1982-1983 Budget	Change %	1983-1984 Budget	Change %
Total revenues	4,349	3,206	−26	3,037	− 5
Expenditure:					
Salaries	724	835	15	720	−14
Goods and services	776	709	−9	517	−27
Transportation	—	52	—	38	−26
Development	658	698	6	662	− 5
Transfer payment	491	661	35	1,184	79
	2,649	2,955	12	3,121	6
Land purchase	449	300*	−33	150	−50
Increase in KFAED capital	75	30	−60	30	—
Revenues for future generation	435	321	−26	304	− 5
Total expenditure	3,508	3,606	—	3,565	—
Surplus (deficit)	741	(400)	—	(568)	—

*KD 150m was added from the general reserves on January 17 1983.

Move to check inflow of immigrant workers

FOR SEVERAL decades Kuwait has been putting into practice a labour policy which other Gulf states just talk about. More than any other state in the region, it has long given preferential treatment to Arabs wanting to come and work. Other oil producers, whose development began after that of Kuwait, have looked to the Asian sub-continent, as a cheaper and less politically risky source of manpower.

Culturally, Kuwait's policy has paid off handsomely. Kuwait is not stricken with the confusion and mish-mash of influences which prevail in the younger Gulf states. Over 89 per cent of its foreign population are in fact Arabs. Many of these, including members of the 350,000 strong Palestinian community can date their residence in the country back to the early 1950s. Neighbouring countries have also contributed their share of immigrants. Today there are an estimated 120,000 Iraqis living in Kuwait — all, ostensibly, on a temporary basis.

While providing Kuwait with its distinctive Arab character, the foreign community has proved on occasions a volatile mixture for the country to handle, particularly as the ratio of its own nationals dwindles year by year. Thus, the historic policy of preference towards Arabs is undergoing change.

Today, as in all other Gulf states, there are more Asians coming into Kuwait than Arabs. They are cheaper to employ and more importantly, they contribute less to the political pressures on the Kuwait Government. Moreover, they can be sent home more easily than Arabs.

Kuwait has also turned to the "safer" Arab nationals as a source of labour, and so Egyptians come a close second to Asians amongst the incoming workers. Statistics from the Labour Ministry show that in 1982, of the total number of 52,296 new work permits issued, some 35 per cent went to Asians, and 34 per cent to Egyptians.

Last December, the traditional open door policy was badly shaken by the six car bomb explosions which went off around the city, three of them targeted ominously at Kuwaiti Government installations.

In the wake of those events, leading Kuwaiti politicians have spoken of the need to close the open door, and allow in only those who come for "honest and temporary work." Kuwait is trying to make it clear that it no longer wants to be considered as a potential haven of refuge, either financially or politically.

The car bombs will trigger major long-term changes in the country's labour policy. Security officials say they want to see the foreign population cut in half.

They point to the fact that the Kuwaiti population is dwindling as a percentage of the total. Between 1978 and 1982 it dropped 5 per cent. from 44 per cent to 39 per cent. Security officials would prefer a reverse situation in which the Kuwaitis predominate in the population. Cabinet Ministers believe such a target, whilst laudable and ideal, is going to be very difficult to achieve.

Labour

KATHY EVANS

However, senior politicians are already saying, with increasing frequency, that the foreign population is a burden on the country's internal security forces and the state's services generally. Deputies in the National Assembly have accused foreign labourers of holding up productivity so that they can keep their jobs longer.

The fact that most of the 25 men involved in the car bombings conspiracy were long-term immigrants has given fresh impetus to the authorities' determination to get to grips with the labour problem.

The minimum which can be expected to result from such growing sentiments is that Kuwait will at last make some effort to curtail the number of incoming workers.

Given the sensitivity of the issue, it is likely that the government will take any new measures in co-ordination with other Gulf states, so that the political impact will be minimised.

The one measure which many observers are expecting—which would also bring Kuwait into line with other Gulf Co-operation Council (GCC) states' labour policy—is a ban on the transfer of sponsorship. Under Kuwaiti law, a foreign employee can transfer from one employee to another, but in most other Gulf states this can only be done after a period of time is spent outside the country.

Such measures ensure that foreign nationals do not become permanent residents and go home after their jobs are finished. However, such laws inevitably arouse the opposition of the merchant community, because labour costs go up as a result.

The first signs of the new policies are already emerging. All visit visas have been cancelled as a security measure until after the trial of the bombers. The only exceptions are for those visitors already known to the Kuwaiti authorities. All work permits to the private sector have been stopped. The sole exceptions are for contractors working on government projects. All servants' visas have been stopped until further notice.

A major study of the foreign population also appears to be under way. A committee has been established consisting of representatives of the ministries of commerce, labour and social welfare, planning and finance, which is headed by an official of the Interior Ministry. The job of the committee is to assess the necessity of each employee to his employer. Many thousands, particularly those originally brought in on servants visas, are thought to be working for one employer while still under the sponsorship of another.

For the Ministry of Labour and Social Affairs, the investigation comes at an embarrassing time, for eight of its former employees are facing charges of conspiracy to sell visas. The conspiracy allegedly involved officials of other ministries and private companies, all of whom had, allegedly, been making a considerable living, selling visas for $1,700 a time.

Whether or not the trial of the bombing suspects goes ahead without a hitch, the explosions have brought home to the authorities the potential consequences of the fact that by 1990 Kuwait could have a population of nearly 2m, only a small portion of which would be Kuwaiti.

Expansion slows in wake of Souk collapse

Banking

MARGARET HUGHES

"IT'S IRRELEVANT to ask whether my customers are servicing their loans. We have lots of customers who don't pay interest on their loans and never have. It's nothing new. If we bring them to the attention of our board we're told 'don't worry, it's Khaled, he'll pay.' And almost invariably one day Khaled, or whoever, turns up at the bank and pays it all off in one cheque. That's normal banking practice here. Of course it's different now, after the Souk al Manakh crash. We're a bit more cautious but it's still predominantly name-lending and I can't see that changing. It makes it more difficult, of course, to assess which of our loans are non performing."

Those remarks by a senior banker sum up what to an outsider is one of the many bizarre aspects of the financial crisis which Kuwait is still going through.

Thanks to the early intervention of the Central Bank, Kuwait's commercial banks have been largely protected from the worst repercussions of the Souk al Manakh crash. That is not to say that they have not been hit but due to their financial reporting system or, rather the lack of one, it is difficult to assess the full impact.

Their direct involvement may have been limited and the majority of the big players did not use bank financing. They created their own parallel credit system of post-dated cheques and spot share sales. Bankers say that the first 120-odd to be placed in receivership had no bank facilities.

Gamblers

But there are plenty who gambled and lost on the Souk al Manakh who do have bank loans, many of them "names." Bankers point out that they have other assets so will not go broke. But much of these assets, such as real estate or shares on the official stock market, are now worth far less than they were. While bankers are not too keen to admit that they will never see the money back from some of their loans they do acknowledge that there will have to be a good deal of bridging finance and stretching out of loan repayments which is happening already.

The extent to which it is and how much the banks expect to have to write-off is difficult to evaluate. It is all masked by the hidden reserves which make a true financial assessment of the banks' financial performance impossible. Little is given away in the 1983 results from the banks which have reported so far. There are tell-tale signs however.

Last year the traditional scrip issues have either been dropped altogether or reduced for the first time since 1975. Alahli Bank, Commercial Bank, Kuwait Finance House and Kuwait Real Estate Bank did not make one while the other paid a much smaller bonus issue for 1982. The exception was Burgan Bank but then it has just made the country's largest ever rights issue which many other bankers attribute to the need to cushion itself against the loan losses from Souk al Manakh

Burgan denies this but as the youngest bank (set up in 1977 with a 60 per cent government shareholding) it has not had the time to build up the same level of reserves as its competitors.

The commercial banks claim that the main reason for dropping or reducing the scrip issues is that shares are not attractive now given the depressed state of the stock market and the greater need to inject liquidity into the economy through cash dividends. There is understood to have been some central bank pressure to pay higher cash dividends. Alhali and Commercial Bank as well as Kuwait Finance House have increased their dividends while the other banks have held their dividends at the previous year's level.

But another reason for dropping or limiting scrip issues must also be that hidden reserves normally drawn down and capitalised through scrip issues are either already being set aside as loan loss provisions or being stepped up for the same eventuality. It is estimated that the banking system's total hidden reserves amount to some KD 500m, equivalent to about 12½ per cent of total domestic bank lending. Bankers put their possible loan exposure as a result of the Souk al Manakh at around KD 1bn but this may well be an understatement.

Although bankers say that they did not lend directly for share speculation — and were prohibited by the central bank from doing so — they nonetheless concede that a substantial proportion of their personal lending (some say about half)—which stood at around KD 1bn in the six months leading up to the collapse—went straight into the Souk al Manakh or into property speculation.

On top of that they also reckon now that a good deal of the loans they made in the trade and construction categories also went into the Souk al Manakh since many individuals used their companies' funds to gamble on the stock market. Personal lending accounts for about 25 per cent of bank lending, trade finance about the same and construction another 20 per cent.

However, bankers do not expect the actual fall-out to be anything like what these figures suggest. One senior banker estimates that only some 10 per cent of his bank's portfolio will be affected of which less than 5 per cent are potential losses and less than half of these were loans that would never be repaid. But it is still very much a guessing game.

With so much of the Souk al Manakh collapse still to be unravelled, it is still not possible to establish the real solvency of the banks' customers. The full impact is not expected to show through until later this year and next.

Some bankers believe they will be suffering the repercussions for far longer, five years some say gloomily. The banking community is critical of the Government's handling of the crisis and the most pessimistic about its likely outcome.

One of the most senior bankers in Kuwait said he felt so depressed and pessimistic about the situation that he didn't even want to talk about it—most unusual given that it still dominates everyone else's conversation in Kuwait. "Everything so far is piecemeal," he said. There is a bill to be paid and the Government is going to have to recognise that and pay it, before the problems are resolved and the economy gets back on its feet."

Were any of the banks to be badly hit the Government would step in to support it—which it has to an extent already by injecting funds into the banking system. Added to which reserves and loan provisions (whatever they may be called) are substantially higher as a proportion of lending in Kuwait than they are elsewhere in the world.

According to Mr Saleh Baker al-Salaima, head of banking supervision at the central bank, the banks are "very, very safe" adding that provisions are "more than enough" to cover possible loan exposure. The top 18 speculators on the Souk al Manakh, he comments, "never were, and are not customers of, the banks."

But he admits that there may have to be bridging facilities and rescheduling exercises for many of the medium-sized speculators. He rejects suggestions that banks' loan exposure could be as high as KD 2bn. "It can't be as much as half total bank lending."

On the subject of bank reporting Mr Al-Sulaimi said that the central banks was satisfied with the financial information which it obtained monthly from banks. It was not, he said, the central bank's policy to interfere in the banks' reporting to shareholders or correspondent banks. That is the responsibility of the stock exchange authorities.

Slowdown

Aside from the fall-out of the Souk al Manakh crisis, 1983 has not by past performance been a good year for the banking community (in the 11 years since 1972 banks had seen their cumulative assets climb from KD 800m to almost KD 10bn and published profits rise from KD 6m to KD 88m).

Those banks that have already published their accounts for 1983 show a marked slowdown in profit growth. It is believed that the central bank directed the banks to be more conservative than usual in their profit.

COMMERCIAL BANKS
CREDIT FACILITIES BY SECTOR
(million dinars)

	1979	1980	1981	1982	1983
Trade	523.5	671.8	843.2	955.3	948.8
Industry	91.4	159.2	174.3	193.6	148.2
Construction	332.2	408.0	523.2	673.4	664.2
Agriculture, Fisheries	30.6	39.9	40.2	43.0	25.7
Financial Services	120.9	142.8	236.0	289.9	314.1
Personal	520.1	620.7	890.3	1,002.8	934.5
Real-Estate	254.3	306.6	371.2	612.1	683.4
Other	44.6	69.6	94.5	147.0	125.4
Total	1,917.5	2,418.6	3,172.8	3,897.3	3,844.3
% change		+26.13	+31.18	+22.83	− 1.36

Source: Kuwait Central Bank.

DIVIDEND ANNOUNCEMENTS 1983
(1982 in brackets)

	Cash dividend %	Free share issue %
Alahi Bank	15.0 (12.0)	— (25.0)
Bank of Kuwait and Middle East	10.0 (10.0)	15.0 (25.0)
Burgan Bank	— (—)	15.0 (15.0)†
Commercial Bank of Kuwait	18.0 (12.5)	— (25.0)
Gulf Bank	15.0 (15.0)	20.0 (27.5)
Kuwait Finance House	20.0 (10.0)	— (25.0)
National Bank of Kuwait	18.0 (18.0)	20.0 (32.0)

† Plus one for one rights issue priced at 400 per cent raising capital and reserves by KD 98m to KD 152m.

Central bank figures for 1983 show an overall increase in private deposits of only 4.87 per cent which compared with a growth rate of 7.17 per cent in 1982 and 37.47 in 1981. Both demand and time deposits fell as did certificates of deposit. Foreign currency deposits, however, showed a sharp increase back up to the end 1981 levels whilst savings deposits also rose.

Meanwhile the Central Bank has continued to pump liquidity into the banking system. Central Bank claims on commercial banks climbed throughout the year to reach KD 674.2m at the end of December against KD 319.5m at the end of 1982. Swaps transactions showed the sharpest rise, though at KD 339.6m at the end of the year were below the peak of KD 401.8m reached in June of 1982. Commercial bank balances with the central bank, together with their purchase of central bank bills, fell from KD 732.2m at the end of 1982 to KD 476.2m last December.

However, perhaps the biggest problem for the banks has been the depressed and inactive state of the credit market. Lending opportunities, particularly to productive sectors, have always been in short supply in Kuwait but are even fewer on the ground now. At the same time the banks are scrutinising loan applications more carefully than they once were.

Standstill

On the domestic front businessmen are deferring their investment decisions until the stock market crisis is sorted out and the economy begins to pick up. With the major infrastructure projects now complete there is less government spending on projects. After some delay the effects of the world recession were beginning to be felt in Kuwait last year whilst the continuing Gulf War has brought the important re-export trade to a standstill. Merchant lending opportunities have withered as a result. Letters of credit business is down whilst the value of individual l.c.s is also down.

As a result domestic lending declined last year. Central Bank statistics show an overall drop of 1.36 per cent against rises of 23 per cent, 31 per cent and 26 per cent in the previous three years.

Banks' foreign assets, meanwhile, increased by 2.2 per cent compared with a rise of 0.25 per cent in 1982 mainly due to an increase of 56 per cent in foreign investments, mainly bonds and shares, and a 28 per cent rise in advances and discounts to non-residents.

Given the marked slowdown in domestic business activity banks have been looking abroad for investment opportunities. They are also trying to re-open the Kuwaiti dinar bond market both for domestic and foreign borrowers, the latter through private placements since the current finance minister is not anxious to internationalise the market. On the domestic front they are placing greater emphasis on retail banking.

Prices tumble in a heavily depressed market

ONE of the many casualties of the Souk al Manakh crash has been the real estate market.

Until Kuwaitis became gripped by stock market fever, real estate was the main investment vehicle and the source of much individual wealth.

Then, during the stock market boom, huge real and paper profits from share speculation were ploughed into real estate investment.

As on the stock market, post-dated cheques were widely used for property transactions while the cost of borrowing from banks has long been lower than the returns on property. In the nine months leading up to the Souk al Manakh collapse, real estate prices rose by as much as 150 and 200 per cent.

But since the Souk al Manakh crash, real estate prices have, for the first time, fallen. They dropped back sharply in the second half of 1982 with residential property—where speculation was greatest because of easier returns—the hardest hit. Prices fell, on average, by 35 per cent.

Prices of commercial land and property declined by between 15 and 20 per cent, depending on the location. Real estate share prices, meanwhile, dropped by as much as 40 per cent.

Last year prices took a further tumble with commercial property the most affected and the omens for this year look no better. Residential real estate dropped a further 15 to 20 per cent, depending on distance from the city centre.

City-centre office premises, which a year ago were being quoted at Kuwaiti dinars 12,000 per square metre, are now down to Kuwaiti dinars 8,500 per square metre.

Some property marketing companies reckon that the decline in prices has gathered momentum since the bombing of the American embassy and the subsequent decline in confidence as well as the tightening of security and its implications for expatriate recruitment.

The speculative stock market gains are no longer there to be invested in property while many of those who played and lost on the Souk al Manakh are having to sell their real estate to realise assets to help pay off their debts.

With many in the same boat, a lot of property is coming back on to an already depressed market at the same time.

The Government is also reining in its land acquisition programme which it has previously used to distribute oil wealth by buying up land from land owners, often in excess of its own requirements.

In the past, this has helped to inflate land prices. But whereas in 1982/83 it doubled its

Real Estate
Margaret Hughes

allocation for this programme to KD 295m, this year's allocation of KD 150m is understood to be largely unutilised as it diverts its energies to salvaging the stock market.

Although it is generally acknowledged that prices had to come back from the "unrealistic" prices of the stock market boom, there is more to it than that. On the commercial side, especially, the market was reaching saturation point.

With most primary and second projects now complete in Kuwait, the country is moving more into a service industry era which property letting companies, such as Gulf Accommodation reckons will require smaller premises.

Residential property, which still accounts for the bulk of real estate in Kuwait, will also be in less demand. It is built almost entirely for renting to the expatriate community (who have to spennd some 60 per cent of their income of accommodation). But with the major infrastructure projects over and the Government's publicly expressed aim to cut back on expatriate recruitment the market will no longer be an ever expanding one.

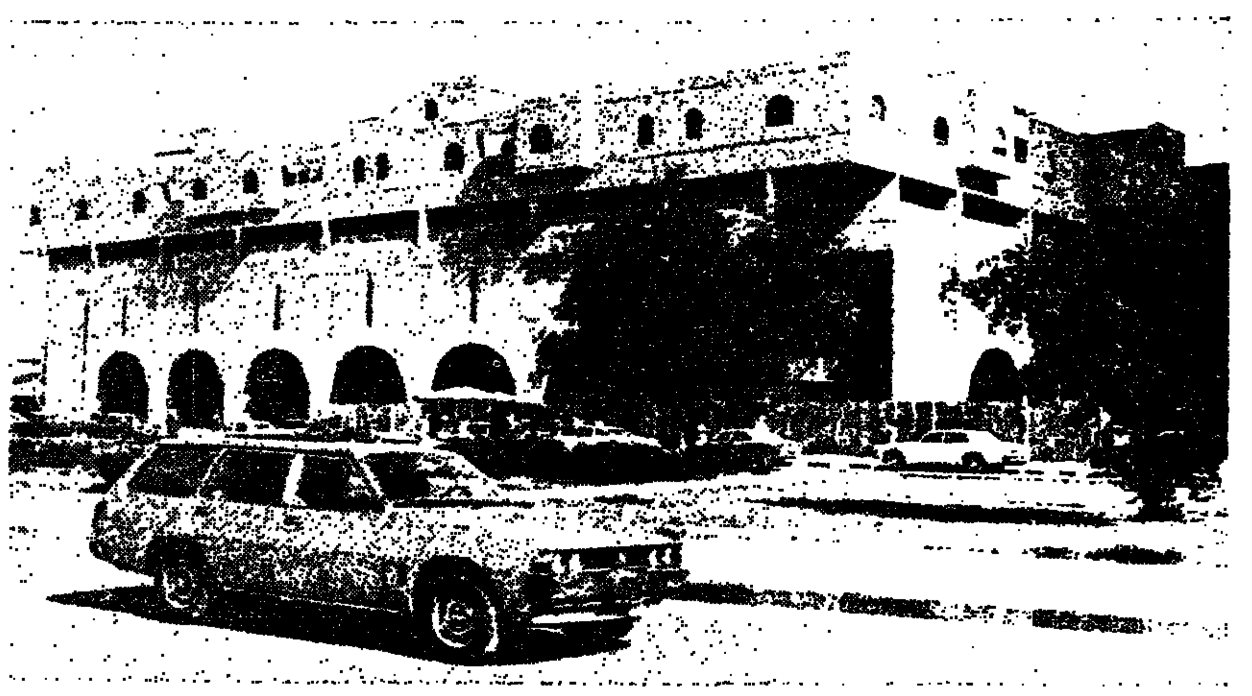
The returns on residential property are in any case less since the 1978 rent law limited rent increases to a maximum of 100 per cent every five years. This may seem steep to outsiders but is far less than the increases imposed by landlord before the new regulations were introduced. Real estate investors are having to wait a little longer to get back their initial investment.

But despite these depressing influences with little prospect of any upturn until 1985 the building boom goes on. As one real estate executive explains: "This is an unsophisticated market which does not know how to plan ahead."

Saying this, he points to six empty tower blocks nearby. Even so, building work continues on a seventh adjacent to them.

Another example is a 17-story block on the edge of town which has been standing empty for some six months. Yet the owner persists in quoting a rental of KD 18 or more per square metre when the going rate for a prime property in the city centre is only KD 10 per square metre. The same developer is busily constructing another 20-storey block elsewhere.

Kuwaitis, it appears, would rather keep a property empty than lower the rental since it is this which dictates the ultimate selling price and the argument seems to prevail e en when rental income might help repay st ck market debts.



A commercial offices complex built recently by the National Real Estate Company in Kuwait City

Downturn takes its toll on Sharia system

Kuwait Finance House
MARGARET HUGHES

THERE AREN'T too many banks which turn depositors away. But that's precisely what Kuwait's one Islamic bank is doing. This can be interpreted as a measure of the appeal of Islamic banking or it could be argued, as more conventional bankers do, that it illustrates the failure of the Sharia principles when applied to banking.

Kuwait Finance House was established in 1977 with a government shareholding of 49 per cent (the rest is held by private investors) to undertake banking and investment according to Islamic or Sharia law.

The main Sharia requisite is that activities should be non-usurious or interest-free. Depositors are thus not paid interest as such but share in the profit or loss of the bank's investments.

Since its inception Kuwait Finance House has put up a remarkable performance particularly on the deposit side. But the downturn in the Kuwaiti economy resulting from a combination of the Iran/Iraq war, the Souk-al-Manakh collapse and the fall in the oil prices is taking its toll and made all the more acute by the bank's heavy involvement in real estate — 56 per cent of its current assets are in real estate.

Although deposits and assets continue to grow at an impressive pace income dropped last year for the first time. The return to depositors was down and KFH dipped into its general reserves to pay its, nonetheless, doubled dividend to shareholders. But there was no scrip issue this time.

In 1982 total assets excluding contras rose 62.0 per cent to KD568.71m which was much higher than the average growth rate of the other commercial banks. Total deposits were up 61 per cent, to KD473.11m. Gross income, though not showing the spectacular growth of the pre Souk-al-Manakh collapse days—income in 1981 rose by 133 per cent was still up by 53.2 per cent to KD52.11m. Real income, after distribution of profits to depositors, increased by as much as 108 per cent to KD45.89m after a rise of 158 per cent in the previous year.

Last year deposits again showed a substantial growth of 47.6 per cent to KD697.83m despite the fact that a ceiling of KD5,000 a month had been imposed. Total assets increased by a further 40.5 per cent but gross profits fell by 19.24 per cent to KD42.08m and net profit, after profit distribution to depositors, was down 19.98 per cent at KD36.72m. The decline in profits was entirely due to a 39 per cent drop in the bank's main activities—property, commercial and construction operations. Income from banking operations meanwhile increased by 142 per cent to KD9.9m but still only account for a relatively small proportion of income.

Assistant general manager Dr Khaled al-Boodai attributes the decline in income to the generally depressed state of the Kuwaiti economy.

Construction business, he says, is down because people are not investing while the bank's commercial operations have been hit by the decline in consumer spending.

Kuwait Finance House (KFH) is a major importer of consumer goods such as cars, tyres and foodstuffs (excluding alcohol and cigarettes which it says is forbidden under Sharia). It sell these goods under its Murabaha system where it buys the products and re-sells them for cash adding a percentage mark up. The goods can be paid for by instalment but KFH doesn't charge interest making up for this with the mark up on the selling price.

This type of business along with profit sharing joining ventures—Mudarabah, where the other partner provides management and know-how only, and musharaka, where both provide capital—and direct investment in domestic real estate are KFH's main line of business.

Surplus

KFH has been hardest hit, says Dr al-Boodai by the slump in the real estate market. Its assets in this sector have increased by 85 per cent but its income is sharply down because it is having difficulty in selling real estate because of the surplus on the market.

But Dr al-Boodai says that real estate, unlike securities, retains some value—KFH is proud of the fact that it did not get involved in the Souk al Manakh—and is hopeful that the situation will improve on the coming year.

KFH's dilemma is that while it has no problem in attracting deposits it has difficulty finding remunerative investments — never particularly easy in Kuwait even without the Sharia constraints.

Unlike other banks faced with the same problem it cannot place its funds on the interbank market to provide an alternative source of income because this would mean earning interest.

It has thus been forced this year to stop taking any new deposits while it " reviews its investment programme " to prevent any further dilution of returns to depositors.

Last year, for the second year in succession the income distribution to depositors was reduced. In 1983 this could justifiably be attributed to the decline in income but some bankers feel tht it may well be part of KFH's moves to discourage new deposits. This year the returns on the various deposit accounts are less than most of the commercial banks are paying in dividends.

Dr al Boodai hopes that KFH will be able to start taking deposits again although again there is likely to be a ceiling.

He would also like to see implementation of the deferred plans for establishing a second Islamic bank in Kuwait to ease the burden on KFH.

More cynical bankers ,however, question whether the Sharia principles can be applied to banking. They believe an operation like KFH is more an open ended investment fund than a bank.

Strict code of conduct for new exchange

Stock market

MARGARET HUGHES

IN THE heart of Kuwait's financial centre stand two moribund buildings. One is the multi-storey car park which houses the Souk al Manakh, the unofficial stock market, once the scene of feverish wheeling and dealing. Today the only excitement is when a goal is scored in the televised football match which the few dealers still around huddle over.

The other building is the imposing pink granite and plate glass building which later this year will house the official stock exchange—with a roof garden on top of the trading floor—but already dismissed by many Kuwaitis as the "mausoleum."

It will replace the seedy semi-basement where trading in officially quoted shares now takes place. With the move to the new building—scheduled for May but more likely to be several months later — the Government hopes share trading will become an altogether more disciplined affair, and where the new director of the stock exchange, Dr Khaled Ali al Kharafi, says "there will be no crooks."

In August last year an Emiri decree established a 10-man securities board chaired by the Minister of Commerce and Industry to draw up rules and procedures to establish fair trading, protect investors and increase the volume of trading.

Small print

Broad guidelines have already been published and Dr Al Kharafi says he is working on the "small print." All share trading will be prohibited unless it is undertaken on the official Kuwait stock exchange (KSE) and through a licensed broker (on the unofficial stock market settlement takes place between the two partners to the deal). Each transaction will have to be reported to stock exchange officials who will monitor all deals.

The existing 16 brokers have been given one month to merge their operations into four brokerage companies with a minimum capital of KD 100,000. Each company is required to take out a bank guarantee for KD 1m which will be lodged with the KSE. The broker will be responsible for all his dealings and if anything goes wrong then the guarantee will be called. They will also have to pay an initial registration fee and annual subscription to the KSE.

A scale of dealing commissions has been set starting at ½ per cent on deals up to KD 10,000, reducing in stages to one sixteenth of a percentage point for deals of over KD 500,000. This compares with a current level of KD 0.2 per share, whatever the size of the transaction.

Some 20 Souk al Manakh dealers, who operate under the guise of real estate companies, are being asked to merge into five companies and supply full financial statements with a view to becoming licensed brokerage houses.

Any company which wishes to be listed on the KSE will have to provide full financial statements. Dr Kharafi says reporting requirements are being substantially tightened requiring fuller disclosure. At present there are 46 companies quoted on the KSE.

Gulf registered companies, which accounted for some 60 per cent of dealing on the Souk al Manakh, have been invited to apply for a listing and Dr Kharafi expects about 20 to apply. At present only two such companies are listed. But to qualify for listing they will have to show a 10 per cent return on capital and an average dividend payment of at least 5 per cent for three consecutive years. The same applies to Kuwaiti closed companies which have previously been traded on the Souk al Manakh. Listing and trading in such companies is only allowed after three reporting years but this was ignored on the Souk al Manakh and shares in these companies were often traded within hours of their being formed.

Dr Al Khorafi anticipates that between 30 and 35 such companies will eventually be listed. These, like the Gulf registered companies, are being given a year to bring their activities into line before admission to the KSE.

All companies listed on the KSE will be required to pay an annual listing fee equivalent to 0.1 per cent of their issued capital.

Forward trading using post dated cheques will be banned on the KSE but Dr Al Khorafi aims to introduce a traded options system where deposits will have to be lodged by buyers and sellers with the clearing house to cover their transactions.

Overall he sees a stock market operation along the lines of the Jordanian stock exchange. For the first time non-*Kuwaitis are to be allowed to* invest on the KSE. This has been a major drawback in the past and one of the reasons they were such big players on the Souk al Manakh. The *Government* is understood to have come under considerable pressure to allow them to trade on the official market. Dr Al Khorafi says trading will be limited to Arab nationals who will only be allowed to trade in the shares of Gulf registered companies.

In time Dr Al Khorafi says, citizens of Gulf Co-operation Council (GCC) countries may be allowed to invest in the shares of Kuwaiti companies.

While others may be sceptical that such an orderly market will ever emerge Dr Al Khorafi is confident he will be able to adequately supervise the stock market under the new rules. He concedes there were regulations before that were simply ignored but explains that "they were *impossible to enforce* because everyone was speculating on the Souk al Manakh and everyone was mad." The main thing now, in his view is to make use of "this severe lesson" to put all our financial operations — not just the stock exchange—on a sound basis." Whether sanity or "madness" prevails remains to be seen.

Brokers have already reacted strongly to the new regulations. They claim they are being rushed into forming companies with their rivals when they would prefer to have time to establish their own companies.

The dealing commissions have been criticised for not reflecting the very nature of stock market investment in Kuwait. There are very few real investors because the return on equity investment is so low—on average 1 per cent. Some 90 per cent of turnover is by dealers trading on their own account and looking for a quick capital gain. It is these dealers, like many of the brokers masquerading as real estate companies who, though not market makers as such (they are not obligated, like jobbers to make a market), nonetheless liquify the market. There are only two jobbers.

Collapse

Without them there would be very few deals and so little business for the brokers. It is argued that if they are now charged two-way commissions according to the new scale, when they are used to much lower commissions then they won't trade in the KSE which is a narrow enough market anyway, particularly now the Government owns on average at least 50 per cent of most of the quoted companies as a result of its support buying since the collapse of the Souk al Manakh.

It is felt that commissions of 10 per cent of the proposed scale would therefore be more appropriate. The listing fees are also considered to be higher than is necessary to contribute to the running of the KSE which will also receive 25 per cent of the brokers' commissions. The flat 0.1 per cent penalises those companies with a large capital. Overall, it is argued, the proposed fees will tend to discourage companies from seeking a listing and once again encourage non-KSE trading, which few expect to really disappear, given that it is so much a way of life in Kuwait.

Experts in securities trading criticise the new regulations for dwelling too much on "bells and whistles" with little detail on the *specific* trading procedures.

It is felt that everything has perhaps been drawn up too quickly without sufficient expert advice. It is also pointed out that it will take years — maybe as much as five — to bring financial reporting up to the required standard.

Urgent

To encourage small investors the nominal share value should be reduced from its present one dinar, but Dr Al Kharafi explains that this would require new legislation. Instead, he says, a mutual fund aimed at small investors is to be launched by the 90 per cent government owned Kuwait Foreign Trading *Contracting and Investment* Company, one of the three investment companies known as the Three Ks.

There is an urgent need to revive the stock market to provide an investment outlet—the only other being real estate where the market is now oversupplied. The KSE index, which reached a peak of 136.6 at the height of the stock exchange boom, is now down to a government-supported level of 101 while the truer, free market index stands at 91.4, some 9.3 per cent less than the government-supported prices. The Souk al Manakh index has suffered an even sharper reversal. It is now 75 per cent down from its peak of 300 reached in March 1982 to an all-time low of 56. Turnover is minimal—a little over KD 5m in January compared with KD 75m in March last year and a level of KD 31m even in October before the Government limited its market intervention to supporting closing prices only.

The Government has so far spent some KD 700m in supporting the market—more than 10 per cent of the KSE's total capitalisation. Assets of Souk al Manakh debtors are thus artificially inflated with the aim of facilitating settlement and providing collateral for raising loans to pay off debts. By limiting its support to the closing prices the Government has reduced its outlay to KD 750,000 a week.

The Government has also spent nearly KD 900m on its small investor relief fund. It paid KD 100m in cash and some KD 775m in bonds of varying maturities up to five years to so-caled small investors with up to KD 2m. These bonds can be discounted with the banks which can then re-discount them with the central bank.

Another KD 300m has already been provided by the Government through KFTCIC and KIC (Kuwait Investment Company) in the form of bridging finance against collateral of real estate *(up to 80 per cent of current* value) and KSE shares (up to 75 per cent of the closing price) to help debtors with their debts. The system is operated on a credit basis so that the only ones who actually receive cash are those who do not have any outstanding debts.

This system is being used to settle the outstanding debts of Sheikh Khalifa al Abdullah al Sabah, nephew of the ruler, whose outstanding liabilities have been holding up settlement of other dealers' debts. Sheik Khalifa, whose liabilities were initially put at some KD 1bn, is the only one of the big dealers not to be referred to the receiver.

Last month a formula was evolved by his family for the settlement of his debts which have now been deflated to KD 450m ($1.6bn) whereby he will pay his creditors the spot price of the shares on the day of transaction—without the forward premium at which they would have been bought. His debtors, however, will have to pay the spot price plus a 25 per cent premium. Sheikh Khalifa is putting up some KD 150m of the necessary funds himself, the remaining KD310m is being provided as credits against collateral through KFTCIC.

The agreement on settlement of Sheikh Khalifa's debts avoids the embarrassment to the ruling family of having one of its members forced into receivership and at the same time is seen as a step towards unravelling the KD 27bn mountain of debt.

It injects some funds into the system to help settle debts and it is hoped that others will now be encouraged to settle their debt at the spot price or less. However, there has been much criticism of the inequity of the formula — a criticism levelled at much of the Government's handling of the crisis. The procedures for settlement have been repeatedly changed so some have settled in full, others settled when the directive was to settle at between spot and a minimum premium of 25 per cent and a maximum of 50 per cent. Yet others settled according to the so-called Premium Law of last August which fixed settlement at the spot price plus a premium of 25 per cent.

Solvency

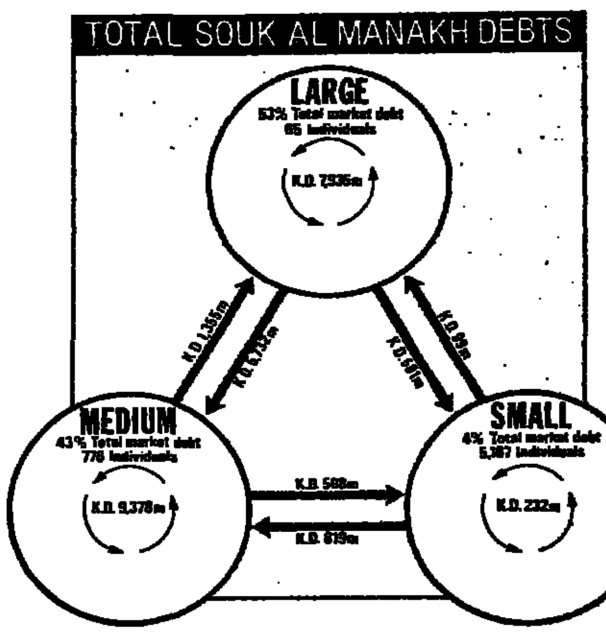
But the major problems is that although some 228 people have now been put into the equivalent of receivership (no one will be made bankrupt unless they are convicted of fraud) only 19 of these have had their assets valued—on average amounting to only 25 per cent of their face value of their debts, even after deflating their values. Whilst all the post-dated cheques have been brought into the cheque clearing system not one single cheque has been cleared.

With the solvency of so many of the 6,500 people involved in the crisis still unknown, either because the arbitration panel has yet to evaluate their assets or because they have not been referred to the receiver—which in itself takes a considerable time—it is proving very difficult to settle debts.

For those in receivership the Government is expected to issue some form of IOUs but has yet to do so or decide how it will be done. However, the IOU's are expected to be undated and non-interest bearing. They are likely to be very much a last resort mechanism which cannot be negotiated or discounted with the banks. This means that creditors will not receive any cash until the Government has realised the assets of the debtors. So far, beyond the occasional car auction and yacht sale, it has done little to recover funds.

All that has been achieved so far, it is argued, is that the main debtors have been isolated. Otherwise liabilities are simply being shuffled around.

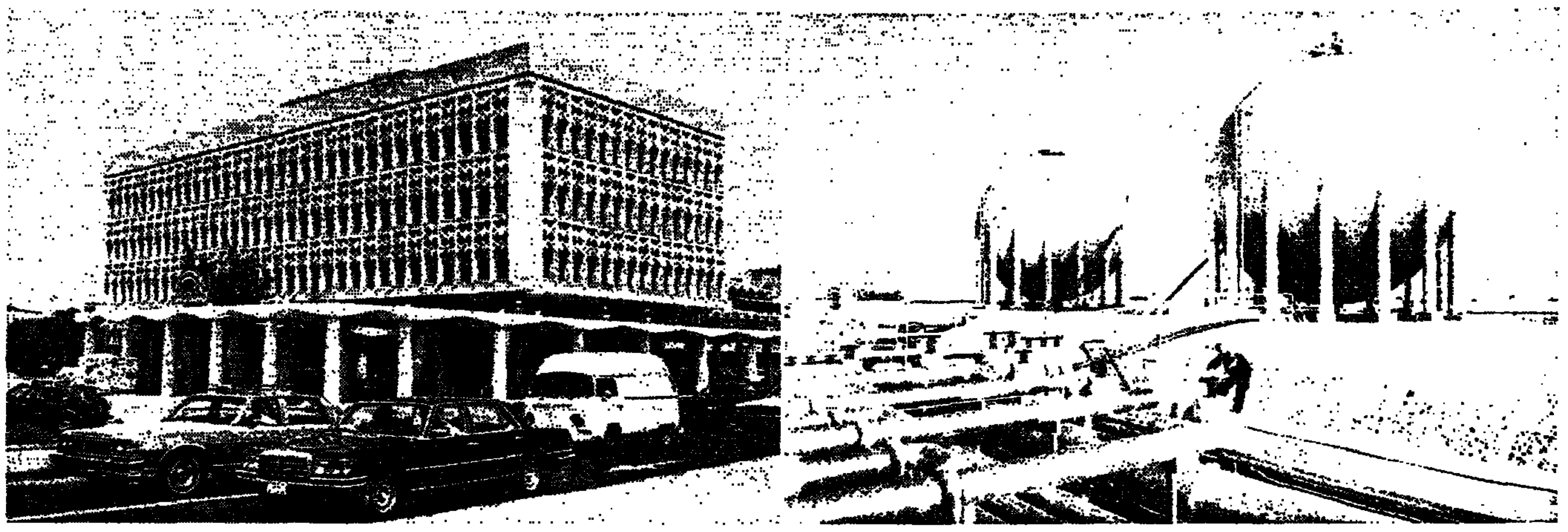
The Emir and Finance Minister have both said the problem will be solved in a matter of months, but there are few people outside government who would agree with this. Most believe it will take several years and there is no hope of resolution until the Government brings all those with outstanding debts into one pool to establish everyone's net position.



Source: Securities Group

The major industries

Compiled by Mary Frings



KPC's headquarters in Kuwait City (left) and oil storage tanks at Al-Ahmadi

Kuwait National Petroleum Company

Corporate structure: KNPC was set up in 1960 as a 60/40 joint venture between the Kuwaiti Government and private sector. The private shareholders were bought out in 1975, and KNPC became a wholly-owned subsidiary of the newly-formed state petroleum corporation (KPC) in January 1981, with responsibility for refining, gas liquefaction and local marketing. It has a capital of KD 260m (compared with KD 7.5m on its incorporation in 1960).

A breakdown on the three refineries and the LPG plant is given below where appropriate, but the following data applies to KNPC's whole operation.

Payment for raw materials: Crude oil and natural (associated) gas is bought by KPC from the Government of Kuwait. Oil is paid for at the posted prices, but a concessionary rate is set for gas (see PIC for details). Only the cost of local sales is expensed to KNPC.

Marketing: About 10 per cent of refined petroleum products and 20 per cent of liquid gas products went to the local market in 1982. KPC handles international marketing of all refined products as well as crude.

Customer breakdown for 1981-82 (no comparable figures for 1982-83) was: Far East 31.6 per cent; East Asia 20.2 per cent; Europe 15.9 per cent; Middle East 8.9 per cent; Oceania 9.8 per cent; Africa 1.6 per cent; other 12 per cent.

Refined petroleum products: Crude oil throughput at Kuwait's three refineries totalled 175m barrels in 1982-83 (81-82: 115m). This averages at 479,000 barrels a day (314,000 b/d).

Product exports in 1982-83 totalled 19.98m metric tonnes (81-82: 14.2m metric tonnes).

Product breakdown for 81-82 (not available for 82-83) was: naphtha 14.9 per cent; gasoline 1.2; ATK 8.2; diesel 22.1; fuel oil 52.8; other 0.8.

Pricing of product: Exports at world market prices. Local sales are subsidised, although gasoline prices at the pump were raised by over 150 per cent in April 1982: 90 octane from 15 to 40 fils (14 U.S. cents) a litre, and 98 octane from 20 to 50 fils (17 U.S. cents a litre). The price of diesel increased 700 per cent.

Government income: Mainly from sale of crude oil and gas to KPC. Any profits made by the subsidiary companies are made available to KPC after appropriations. Although KPC is Government-owned, it operates as an autonomous entity with an independent budget. Its consolidated profit (KD 300m in 1981-82) may be retained or remitted to the Government, depending on the decision of Supreme Oil Council.

Shuaiba Refinery

Ownership and construction: Wholly-owned by KNPC. Built by Fluor at cost of $150m, went on stream in 1968. A lube oil blending plant, built by IHI of Japan at cost of KD 1.7m, was added in 1978.

Raw materials: Takes 31.5 API Kuwaiti crude. Some base stocks for lube plant supplied by Shell from either Singapore or Europe.

Capacity and products: 190,000 b/d. In 1981-82 average daily crude run was 143,000 barrels (about 45 per cent of average total throughput for the three refineries). There is some exchange of product between the refineries, for blending; Shuaiba's contribution to total refined products was 39.7 per cent.

Shuaiba's hydro-cracking units convert heavy products into light and middle distillates, giving less than 20 per cent fuel oil yield.

Mina Ahmedi Refinery

Ownership and construction: Wholly-owned by KNPC. Built in the late 1940s for KOC, then a partnership between BP and Gulf Oil. Kuwait assumed control of KOC in 1975.

Raw materials: Kuwaiti crude.

Capacity and products: Present capacity about 220,000 b/d. In 1981-82 average daily crude run was 100,000 barrels, contribution to total refined products 26.1 per cent.

A major expansion and modernisation programme is under way, for which the contractor is Japan Gasoline Corporation (JGC). Phase I, for which the cost is put at KD 295m, is due for completion in the second half of this year. It will provide more Low Sulphur Fuel Oil for power generation. Phase II will improve the quality and range of products.

Altogether a total of KD 1.4bn ($4.8bn) will be invested in upgrading Mina Ahmadi and Mina Abdullah refineries, according to KPC board member Mr Abdul Baki Al Nouri. This will bring the aggregate capacity of Kuwait's three refineries to 664,000 b/d by the end of 1986.

The expanded capacity of Mina Ahmadi refinery will be about 250,000 b/d.

Mina Abdullah Refinery

Ownership and construction: Old refinery wholly-owned by KNPC, which took over management in 1978.

Raw materials: Burgan, Ratawi and Eocene crudes from the Partitioned Zone.

Capacity and products: Present capacity about 80,000 b/d. In 1981-82 average daily crude run was 71,000 b/d and contribution to total refined products 21.6 per cent.

Modernisation and expansion (to about 224,000 barrels a day) being carried out by Santa Fe Braun for completion late 1986. Aims at a cleaner product range with the elimination of fuel oil.

LPG plant

Ownership and construction: Wholly-owned by KNPC. Original owner was KOC. Building started in 1977 and plant was officially inaugurated February 1979.

Raw materials: Kuwaiti associated gas and condensates.

Capacity and products: Throughput capacity 3 × 560m standard cubic feet a day (mmscf/day) gas / 100,000 b/d of condensates.

1982-83 throughput said to be close to the previous year's figure of 146bn scf (which works out at a daily average of 400 mmscf).

Exports of propane and butane in 1982-83 amounted to 1.05m metric tonnes, compared with 1.7m mt the previous year. No figures are available on the amount of residue gas, which was used mainly to fuel gas turbine power stations.

PIC's Shuaiba Fertiliser Complex

Ownership and construction: Wholly-owned by PIC.

PIC was set up in 1963 on the same lines as KNPC, as a joint venture between Government and private sector. In 1964 PIC set up Kuwait Chemical Fertilisers Company (KCFC) in partnership with BP and Gulf Oil.

KCFC established the first chemical fertilisers complex in Shuaiba Industrial Area, 50 km south of Kuwait City. It comprised plants for liquid ammonia, ammonium sulphate and sulphuric acid (on stream 1966) and urea (1967).

PIC alone established four more plants, two for liquid ammonia and two for urea, on stream 1971-72.

In 1973 PIC bought the foreign equity in KCFC. The two companies were merged in 1974.

The private shareholding in PIC was bought by the state in 1976. With the formation of the state petroleum corporation in January 1981, PIC became a wholly-owned subsidiary of KPC. Its issued capital of KD 100m is now fully paid up.

A fourth ammonia line is under construction by Technipetrol at a contract cost of KD 47m ($175m). Due to go on stream in the third quarter of this year.

Raw materials: Associated gas (unprocessed) obtained via KNPC's gas liquefaction plant. As a result of reduced oil production only half the required 70-75 cf/day of associated gas is available. There are plans to make up the shortfall with imported LNG.

Payment for raw materials: Gas is purchased from the government by KPC and expensed to PIC's account. Concessionary prices are authorised by Amiri decree and periodically reviewed. Current rate is 232 fils (80 U.S. cents) per million BTUs. Any imports would be paid for at market prices.

Capacity and products: 1981-2 (a) and 1982-3 (b) production in brackets. 3 ammonia plants—660,000 tpy—(a) 414,300 mt (b) 355,460 mt
3 urea plants—792,000 tpy—(a) 436,300 mt (b) 44,178 mt
1 ammonium sulphate plant—165,000 tpy—(a) nil (b) nil
1 sulphuric acid plant—132,000 tpy—(a) 9,000 mt (b) 3,600 mt.

Operations were affected not only by shortage of gas but by the depressed world market. The ammonium sulphate plant remained shut down for a third year and the urea and sulphuric acid plants operated only for short periods.

As the new 1,000 tonnes a day ammonia plant comes on stream later this year, one 400 tonnes a day plant will go out. Total production capacity of liquid ammonia will then be 900,000 tpy.

Marketing: Sales handled by PIC's own marketing department. Less than 1 per cent of fertiliser production normally goes to local market. Biggest customers are India and China, but PIC is still selling to both Iraq and Iran.

Pricing of products: Dictated by the world market. Ammonia prices were low for most of last year (last contract in 1983 was at $166 a tonne) but by end-January PIC was negotiating at $219.

Government income: Any profits on PIC's operation are made available to KPC. However in the last financial year (1.7.82 to 30.6.83) there was a loss.

Other PIC projects

In 1974 the Shuwaikh salt and chlorine plants were transferred from the Ministry of Electricity and Water (MEW) to PIC.

1982-83 production: salt 19,000 tonnes; chlorine 7,000 tonnes; caustic soda 8,000 tonnes; hydrochloric acid 366,000 gallons; sodium hypochlorite (60 per cent) 9,000 cu.m.; compressed hydrogen 42,000 cu.m.; distilled water 82m gallons.

A much bigger salt/chlorine plant (salt 150 tonnes a day, chlorine 75 tonnes a day) is under construction in Shuaiba by Hitachi Zosen (cost: KD 18m) for completion 1986. This will replace the Shuwaikh plant.

Principal raw material is brine. Local market takes 85-90 per cent of product; major customer is MEW on a cost-plus basis. Remainder exported to Iraq, Saudi Arabia and Gulf.

PIC also plans to produce DAP and NPK fertilisers, and propylene. It is a 45 per cent shareholder in Kuwait Petrochemical Products Company (KPPC) which is developing a polystyrene and phthalic anhydride project with imported feedstock (see projects list).

Overseas: PIC has major equity stakes in three fertiliser companies and a phosphate mines research company in Tunisia; a fertiliser company in Turkey and the forthcoming ammonia and methanol project in Bahrain.

Good managers in short supply

Light industry

MARY FRINGS

KUWAIT TYRES COMPANY has never produced a single tyre and United Fisheries is said to be the only fishing company to have made a profit out of land. In the words of Mr Fowzi E. Farah, assistant general manager of the Commercial Bank of Kuwait: "There is a very fine line between feasibility study and hallucination. The key factor is the quality of management, and this is an aspect of industrial diversification which has been underplayed. Good management is a very scarce commodity in this part of the world."

United Fisheries was over-ambitious at the start and has now rationalised its operations. As for Kuwait Tyres, which has busied itself for the past five years in trading and investment, Industrial Bank of Kuwait (IBK) claims the credit for blocking the proposed production unit. "It was too small to make financial sense," says Mr Lucien Toutounji, senior executive manager at IBK. "It would have been a white elephant." But the company continues to exist in the hope of playing a role in the much-discussed GCC tyre project, which is geared to a much wider market.

It is thanks to the application of sound commercial criteria to the 288 light industrial projects supported by IBK over the past nine years, that the vast majority are conceptually right and could be economic under normal trading conditions. In the context of a world recession which has led to the dumping of foreign products in Gulf markets, and of a war which has seriously affected regional export potential, trading conditions are not normal.

Components

The challenge is to produce and sell competitively, despite the lack of any raw materials other than oil and gas, high labour costs, a restricted home market and the failure of the Kuwaiti Government to develop a coherent industrial strategy.

Local manufacturers of truck bodies, for example, have had to contend with arbitrary new "temporary entry" regulations for chassis which were formerly imported in transit, and with the payment of duty on raw materials and components which they cannot recover when the finished trucks are exported. They are also bitter about the fact that it has taken the seven licensed manufacturers three months to get their licences renewed, while a score of others are permitted to operate without them.

The dumping of cheap, and in some cases subsidised, products from Europe, Asia and the Far East has affected a wide range of local producers. Kuwait is not overly protective of its small manufacturing sector (which after all contributes only 3.5 per cent of GDP and 8.9 per cent of non-oil GDP), but it was forced to ban imports of cast-iron manhole covers when India started selling them at below the cost of the raw material, and it does impose a selected range of protective tariffs to help new industries get established. It also gives reasonable preference to local suppliers in government contracts.

Unfortunately price protection is of little use unless local manufacturers can also compete on quality, and motorists prefer to pay more for an imported car battery rather than use what they regard as an inferior product which has been assembled in Kuwait.

Housing

The Sanitary Ware Company has also faced difficulties, partly because the National Housing Authority has been slow to use its products, and partly because of its necessarily limited range of styles and colours. In the private sector, the price of a bathroom suite makes little difference to the cost of a new house and according to a banker with a Gallic sense of humour, "the average Kuwaiti can choose from the best in the world, and sit each morning on the thing which gives him most contentment."

In the construction sector, which attracted 45 per cent of IBK's KD 30m investment budget last year, the market for basic building materials is virtually saturated and growth will be mainly in insulation. **KIMMCO (Kuwait Insulating Materials Manufacturing Company)**, which started production of glass fibre insulation in 1980, has already captured most of the home market and is exporting two thirds of its output around the Gulf, principally to Saudi Arabia and Iraq.

A *new project* backed by IBK this year is for the manufacture of aerated insulating bricks by **National Industries**, a diversified public shareholding company in which the Government has a 58 per cent stake.

Although the Kuwaiti economy is not as buoyant as it was, a lot of construction work is still in hand and the publicly-quoted **Kuwait Cement Company** continues to be profitable. This too is substantially Government-owned, with a 35 per cent direct shareholding and another 21 per cent held by National Industries.

Ready-mix suppliers, among them a successful private joint venture between **Redland** of Britain and the **M. A. Kharafi** group, are doing rather better than those in the pre-cast concrete business, largely because of a reluctance to use precast methods for government housing, a lack of sufficient alternative work.

The jewel in Kuwait's industrial crown has always been **Kirby Building Systems**, part of Alghanim Industries, which produces pre-engineered steel buildings in its 60,000 tonnes a year Shuaiba factory, for export throughout the Middle East. *Its lustre has dimmed* over the past year, due to a drastic contraction of the Iraqi market.

"We did not lose, but we did not meet our targets," admits Kirby executive Mr Hikmat Saba. "Overall performance in 1983 was 20 per cent down on the previous year."

Profitable

However, the plant has recently come back to near-capacity with a military order from a Iraq, a contract for over 1,000 housing units in Egypt, and two for industrial buildings in Saudi Arabia, which has continued to be the major purchaser of Kirby's products despite the emergence of local competition. As proof of the adage that you cannot keep a good company down, Kirby is also branching out into package deals with foreign equipment *suppliers, in order to bid for* turnkey agro-industry projects such as poultry farming and broiler processing.

Another traditionally profitable company to have taken a beating over the past year is **Alam Steel**, a privately-owned Kuwaiti-Lebanese joint venture *which fabricates tanker, tipper* truck and garbage compacter bodies onto chassis imported mainly from Mercedes.

Mr Ali Alameddine, the general manager, says it is hard to give accurate statistics because sales are made by the distributors and the fabricator *is not always sure of the destination* of his products. "In the past probably 70-80 per cent of our trucks were exported. Now I doubt if it is more than 30-35 per cent. We had a slight increase in orders during December and January, but the yard is working at less than 40 per cent of single shift capacity."

The downturn began with the oil glut and delayed government payments on major construction and infrastructure projects, says Mr Alameddine. It was exacerbated by the Iran-Iraq war, which dried up the very important Iraq market, and by the absence of protection against dumping by foreign competitors. Alam has tightened its belt and cut back on staff, but hesitates to get rid of too many expatriate workers in case immigration cutbacks make it difficult to re-expand. There are no Kuwaitis willing to work in a hot, dirty steel fabrication yard which is geared to high productivity.

Like Kirby, Alam is broadening its product range, but is less *optimistic about the prospects* for 1984. "I'll be happy if it's no worse than last year," says Mr Alameddine.

With the construction boom petering out, IBK had hoped to direct more of its money towards the chemical products sector than the 12 per cent actually invested last year. The inhibiting factor has been the lack of development in the petrochemicals industry, allustrated by the cancellation of the State-owned **Petrochemical Industries Company's** olefins and aromatics projects, on which a whole range of downstream products in the fields of resins, adhesives and plastics could have been based.

Ironically, PIC's export-oriented urea plant operated almost solely for the benefit of **Kuwait Melamine Company** last year, due to shortage of gas feedstock and the depressed world market for fertilisers. KMC too had *its problems*, in the face of EEC measures to protect the community's melamine industry, and its future market will probably be in India, Egypt and other newly-industrialised third world countries.

A major supplier to local paint factories and fibre-glass workshops is **Kuwait Chemical Manufacturing Company (KCMC)**, which makes alkyds, emulsions and unsaturated polyesters from mainly imported materials. Its 16,500 tonnes a year plant is operating below capacity but as a privately-owned concern its financial results are its own business. An executive admitted to being slightly disappointed that the Gulf oil slick seemed to have broken up without outside assistance, since KCMC has just bought up a struggling marine chemicals manufacturer.

Medicines

One of the new projects financed by IBK last year was a silicone products plant, now under construction at Mina Abdullah, while the latest is a semi-government **Pharmaceuticals Company** in which Acadima (the Arab Company for Drugs and Medical Appliances) has a 25 per cent shareholding. The company is building a $60m factory to produce generic medicines mainly for the Ministry of Health, and will hope to win bulk orders by central tender from the *Arab Health Ministers' Council.*

If the example of **Gulf Cables** is anything to go by, this is a recipe for success. The cable company tailors its output *to the needs and standards of* Kuwait's Ministry of Electricity and Water and is making a very healthy profit.

In another sector of the electrical market, the five-year-old **Kuwait Electrical Wiring and Accessories Company (KEC)** has obtained a satisfactory share of the regional market in plugs, sockets and switches. The foreign partner in this joint venture is MK Electric of North London, and the components, assembled in Kuwait by 100 Indian and Sri Lankan women, are of British manufacture.

Other flourishing enterprises are to be found in the printing, paper and food and beverages sectors, as well as in egg and poultry production. Although local chickens are substantially more expensive than frozen imports, they taste better and customers can be assured that they are slaughtered according to Islamic precepts. There was a flurry in the Kuwaiti press last month though, when it was found that Kuwait Finance House was importing cheaper *chickens from Saudi Arabia*, where poultry farmers seem to be misusing the subsidies on fodder and equipment intended to benefit their home market.

Soft drinks

Americana, a **Kharafi** group company making cakes and fast foods, is one of the bright spots in food processing, but there is plenty of business to be had in soft drinks, reconstituted milk and orange juice, biscuits and snacks.

In every sector, it is the small and medium-sized import-substitution industries which have the best chance of success and most problems which arise can be traced to weaknesses in management and marketing. Taking a broad view, Mr Toutounji concludes that "given the absence of industrial tradition and human infrastructure, the overall performance of projects in Kuwait is much better than I thought it would be, under prevailing circumstances."

IBK's LOAN & EQUITY COMMITMENTS 1974-82

	No. of projects	Total cost of projects (in KD m)	IBK financing (in KD m)	Per cent
Construction materials	76	145	69.5	34.3
Metal products and engineering	36	69	32	15.8
Food and beverages	30	62	30	14.9
Furniture	16	15	7.4	3.7
Marine and oilfield services	8	32	18.4	9.1
Chemical products	45	62	24.9	12.3
Paper and paper products	20	22	9.8	4.9
Printing	9	12	5.5	2.7
Textiles and weaving	5	9	3.8	1.9
Miscellaneous	6	3	0.8	0.4
Total	251	431	202.1	100.0

Note: In 1983 IBK financed another 37 projects with a total value of KD 67m, of which it provided roughly KD 30m. The major sectors were construction materials 45 per cent; metal products and engineering 12 per cent; chemical products 12 per cent; marine and oilfield services 10 per cent.

New vehicle for investing abroad

INDUSTRIAL Bank of Kuwait (IBK) has embarked on a new phase of industrial financing with the creation last year of a KD 20m company to invest mainly outside Kuwait. At the same time it set up a $20m venture capital fund in the U.S. to go into electronics, pharmaceuticals, communications and other high technology fields.

The longterm objectives of the Industrial Investment Company are to secure inflation-proof returns on invested capital, to gain industrial experience abroad and to assist in the transfer of technology through minority equity participation in industrial projects. The emphasis will be on medium-sized companies rather than multi-nationals, and on manufacturing and agro-industries rather than mining, where there is a higher degree of political sensitivity and less technological spillover.

Shareholders in the company are the Kuwaiti Government (31 per cent), IBK (21 per cent and the Public Institute for Social Security (10 per cent), with the balance distributed among 14 Kuwaiti banks, insurance companies, *industrial and service companies*. The KD 20m capital is fully subscribed and 20 per cent paid up.

The investment company is itself a shareholder in the American venture capital fund, which is based in Boston. Other owners include the Government, IBK and the Kuwait Real Estate Investment Consortium. An American partner, T. A. Associates, will supply the expertise to identify projects which will not only offer profitable returns, but will give young Kuwaitis the opportunity to train in industrial management. *It is* also hoped to attract suitable high-technology projects either to Kuwait or to other Gulf states.

Tough attitude on prices maintained

Oil marketing

KATHY EVANS

IN THE last year or so, Kuwait's position in the world oil markets has undergone a change. No longer is it at the tail end of the market, trailing after the higher quality crudes. Today its Burgan crude, with an API of 31 deg, is more desirable than Saudi Arabian Light.

This is because of two factors. As refining facilities have become more sophisticated, lower quality crudes can more easily be upgraded. Moreover, such crudes are cheaper by a couple of dollars a barrel than the traditionally desirable sweet crudes which are currently being overproduced.

In the past few months, such factors have enabled the Kuwait Petroleum Corporation (KPC) to maintain its historic reputation for toughness on price negotiations amongst the buyers, particularly those which lift Kuwait crude on an ad hoc basis. Long term purchasers pay the Opec price of $27.30 a barrel, but spot cargo buyers have found themselves paying 20 to 30 cents premium during the seasonally tight market periods last year.

Such a privileged position is in stark contrast to other Gulf producers. In the past few months, reports have persisted about alleged under-the-table discounts from Oman, Abu Dhabi and Qatar—accusations which their national oil companies vehemently deny.

Nevertheless, while Kuwait has managed to maintain a relatively secure notch in the market, the stagnation in demand has caused drastic cuts in production. Just five years ago, Kuwait was producing a daily average of nearly 2.5m b/d. Today it is lucky to reach 1m b/d. Current production is just below that, and short of its designated Opec quota of 1.05m b/d. In 1983, the country suffered declines in both output and price, for following the London agreement the Burgan crude went down from $32.30 to $27.30 a barrel.

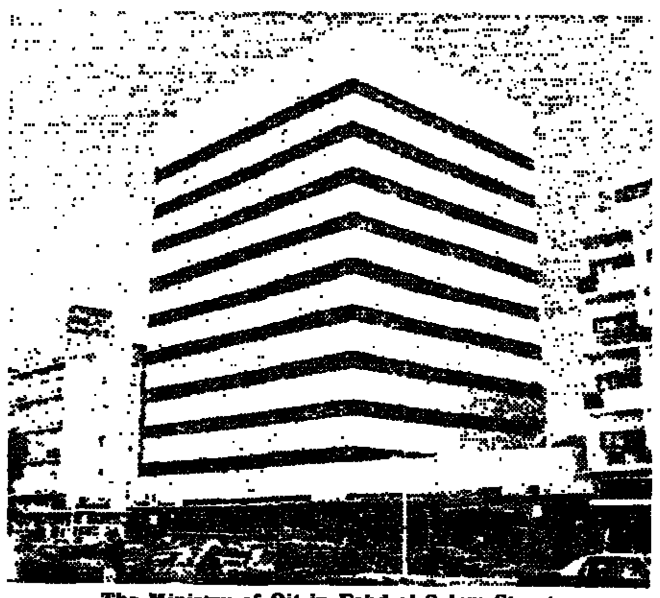
Last year was marginally better than 1982, when the daily average output was a rock bottom 823,000 b/d. In the first quarter of 1983, crude oil production went up by 9 per cent to reach an average level of 879,000 b/d. With the onset of autumn, anticipation of high winter demand had perked Kuwait's output to over 1.1m b/d, but by December, it had slipped back again. More than half of that output—53 per cent—went out in the form of refined products.

Spot purchases

In the early months of last year, crude oil exports were boosted slightly by the swop arrangements concluded with Gulf Oil for its European oil stocks. Of the March exports of 450,000 b/d, some 150,000 to 200,000 b/d went for this purpose.

Towards the end of the year, a major portion of crude output was going to spot cargo purchasers. By the winter these were accounting for 40 per cent of total crude exports. The Japanese proved the biggest buyers, absorbing about 200,000 b/d in October and November, all on a spot basis. These deals carried a premium of 20 to 30 cents.

The reappearance of premiums on spot cargoes, although not against the OPEC rules, does not endear Kuwait to its foreign oil customers. Many believe that it is the Japanese who hold the key to the oil market at present, and the main connection of the Japanese in the Gulf area is still with Iran.



The Ministry of Oil in Fahd al Salem Street

Uncertainty over the safety of the Iranian Kharg island oil terminal has caused them to look to the other side of the Gulf, and a number of producers there have attempted to lure the Japanese in with disguised discounts. In Kuwait, they have met with premiums.

Japanese buyers feel that such policies are short sighted. "Unpleasant feelings are prevailing among the Japanese" politely commented one representative of a major trading house. "KPC has no customer loyalty as a result."

KPC officials respond to such comments by saying they see no reason why middlemen should get the premium, rather than the Government and people of Kuwait. "Long term customers know us well and we treat them well," commented one official. Sheikh Ali Khalifa is more forthright—"I don't believe in this customer loyalty," he says.

The summer could prove a vulnerable period for the country's crude exports. It is during that period that the major customers are due to renew their oil contracts. They are China Petroleum Corporation of Taiwan, which accounts for 75,000 b/d, and the Korean Oil Corporation which takes 60,000 b/d.

Kuwait's only remaining western customer is Shell, which is still taking 30,000 b/d. Petrobraz of Brazil accounts for another 30,000 b/d, and the Philippines National Oil company another 15-20,000 b/d.

Kuwait's sole Japanese customer, Idemitsu has a contract for 20,000 b/d which expires in the second quarter. Other Japanese trading houses say that they are not in a hurry to return as long-term buyers.

On the refined products side, KPC officials say that the 1982-83 fiscal year is likely to see a loss. Product prices are practically level with their crude equivalent, which indicates a loss of about $1 per barrel when transportation costs are taken into account.

Sales-wise, the immediate future looks brighter in the light of Kuwait's acquisitions in Europe of some 2,800 petrol stations. Of the total throughput at the refineries at 479,000 b/d, about 110,000 b/d is being absorbed by Gulf Europe's former asset. The purchase of Gulf Italiana last month will absorb a further 30,000 b/d. Of the remainder, about 80-100,000 b/d is going for local consumption, and the rest is being exported, mainly to Japan.

But by the end of 1986, Kuwait's refinery capacity is going up to 664,000 b/d from its present level of 480,000 b/d. This will coincide with similar developments in Saudi Arabia which intends to have an eventual output in refined products of 1.5m b/d. Although there has been much rhetoric about co-operation between the Gulf producers, KPC officials believe competition is inevitable. Hence the hunger for petrol stations which has become so apparent at KPC in the last 12 months.

Search for new sources

Gas

KATHY EVANS

SINCE THE oil market weakened in the winter of 1981, Kuwait's domestic energy picture has had a soft underbelly. The drop in oil output has led to a gas shortage in the country and starved its major industries of feedstock supplies. With the outlook in the oil markets continuing to look bleak, the state oil company, Kuwait Petroleum Corporation (KPC), has decided to import liquefied natural gas (LNG) to supplement supplies.

Production of associated gas has mirrored the decreases in oil output. Since 1978, when Kuwait was producing nearly 2.2m b/d, gas supplies have dwindled from 1,261m cu ft a day to around 450m cu ft daily, as oil output hovers just under the 1m b/d mark.

There are three major users of Kuwait's meagre resources of associated gas. They are the power stations, the Liquefied Petroleum Gas (LPG) plant, and the ammonia and urea petrochemicals industry.

The drop in oil production has obliged the Ministry of Electricity and Water to look to heavy fuel oil and even crude oil as an alternative to dwindling supplies of cheap, lean gas. Gas forms only 25 per cent of the Electricity Ministry's total energy supply at present, compared with 99 per cent in 1976 and 46 per cent in 1981.

The power stations now absorb heavy fuel oil and about 22,000 to 30,000 b/d of crude oil. (Unlike Saudi Arabia, Kuwait's power stations have a high degree of flexibility to switch over to fuel oils and crude from gas). With electricity demand growing between 5 and 10 per cent a year, the problem, and the subsidies, get larger every year.

The shortage of gas has also led to substantial cutbacks in the production of LPG and petrochemicals. The LPG plant, a facility of three trains, is running on less than one train. According to KPC's latest available figures, feedstock supply fell from 215bn cu ft in 1980-81 to 146bn cu ft in 1981-82. In the last fiscal year LPG exports fell from 1.7m metric tonnes to 1.05m metric tonnes.

For KPC's subsidiary, Petrochemicals Industries Company (PIC), the problem promises to become more alarming as its ammonia and urea plant completes its expansion programme towards the end of this year. The plant is already running at half capacity, but in nine months time its capacity is going up by nearly one-third. By then the plant will, in theory, be able to produce about 900,000 tonnes of ammonia annually compared with 660,000 tonnes at present.

Mr Abdul Baqi Abdullah al Nouri, PIC's managing director, says that the plant's future feedstock requirements are under careful study. PIC officials are seeking ways to curtail the additional gas needed to run the fourth ammonia line.

Hence, the three users of associated gas have equally good arguments for getting their share of what is available.

Issue

Not surprisingly, the power stations, the refineries and the petrochemicals company will be anxious to secure their portion of the liquid gas that KPC now intends to import. (The LPG plant has no option but to continue running at well below capacity.)

Imports of LNG will begin in about May this year, says Mr Hanni Hussein, KPC's planning chief. Imports will begin at a "modest" level, about 40 to 50m cu ft a day, until the system of receiving the gas is thoroughly tested. KPC has picked up an LNG vessel costing only $10m from the U.S. company, El Paso. Talks are under way with a number of suppliers including Algeria and Indonesia, though attention appears to be settling on the latter.

It appears the Electricity Ministry will be the principal beneficiary of the new supplies. KPC officials say these preliminary shipments will replace about 10,000 b/d of crude oil currently supplied to the ministry.

The refineries will also undoubtedly receive their share of the new gas, but what is unclear is just how much PIC will receive. As corporation officials argue, the markets for ammonia and urea are weak, and there is a case for keeping the petrochemicals plant producing at a low level. PIC, it seems, will be at the end of the queue.

Another issue which the LNG imports will raise concerns how these new supplies—bought at world market prices—should be priced for domestic users. Both the Electricity Ministry and PIC presently receive their gas at subsidised rates, which in the case of PIC is around 75 cents per million BTUs.

Kuwait could go the way of Saudi Arabia, and prop up its petrochemical industries by cheap, heavily subsidised gas, but it seems as if KPC thinking is leaning in the opposite direction. Its officials argue that the burden of higher energy costs will have to be reflected in gas prices.

No option

On the electricity side, the higher cost of supplies would, in theory, be passed on to the consumer, but then energy costs have always been a sensitive political issue in the Gulf states. It seems likely that any move on this front will be made jointly by the six states so that the decision appears as a Gulf Co-operation Council (GCC) ruling.

LNG imports will be a feature of Kuwait's energy scene until other gas sources become available. Sheikh Ali Khalifa, Oil and Finance Minister and Chairman of KPC, says that this will be in two years' time. It is hoped by then Kuwait will have found its own natural gas resources, or the Gulf Co-operation Council plan for establishing a natural gas grid network will be well on its way.

The project to link the six states by a regional gas grid has been under study by the GCC secretariat for more than a year. Qatar seems to be the most likely candidate for principal supplier, given the enormous reserves of its North Dome field. Other possible sources are Saudi Arabia and the northern emirates of the UAE.

Meantime, Kuwait continues its search for its own resources of gas. In the short term, gas supplies will be marginally supplemented by the two gas gathering projects in the Neutral Zone. The offshore area will provide about 70 to 100m cu ft a day and the Wafra area, onshore, a further 13m cu ft daily.

The great hope is that Kuwait finds its own resources of unassociated gas. The search has been going for some years now. In the last year eight exploration wells were drilled in the state, most of them looking for gas. The company's new platform, the Al Baz, has arrived to continue the search offshore.

But so far, unfortunately, says Sheikh Ali Khalifa, the exploration efforts have yielded only more crude oil.

Moving on to Europe's forecourts

KPC

KATHY EVANS

IN THE last 12 months, the Kuwait Petroleum Corporation (KPC) has appeared on the international oil scene as a pushy, ambitious national oil company intent on using the country's oil wealth to buy up *petrol stations all over Europe.*

In fact the company consists of a handful of able Kuwaitis at the top, headed by a highly active, but inevitably part-time chairman, the state's Oil Minister (and also Finance Minister), Sheikh Ali Khalifa al Sabah. All say they have no ambition to make KPC a high profile, fully integrated oil company. Low profile, market invisibility is what they seek, they say.

The acquisition hunger which *has been demonstrated again* this winter by the purchase of Gulf Italiana and its assets, is likely to continue.

The *raison d'etre* of this policy is the current weakness in world oil demand. Kuwait does not want to be in the *uncomfortable position of* being bullied and pressured by oil customers. Far better, KPC's directors reason, to be able to sell crude to the company's own refineries or refined products to its own petrol stations.

With Kuwait's refinery *capacity going up to 664,000* b/d by the end of 1986, KPC will continue to look for outlets, particularly as Saudi Arabia's capacity edges up to its projected 1.5m b/d.

In its search for further downstream investments, KPC *is likely to focus its attention* on Europe rather than elsewhere. Other markets have only limited potential or are politically sensitive, say officials.

The Far East region is limited because local production of both crude oil and refined *products is increasing.*

The only other natural market would be the U.S., but this has proved highly sensitive to Arab downstream investment. KPC officials believe that it was the activities of Jewish pressure groups which led to the ban on Kuwaiti investment on federal lands by Mr James Watt, the former U.S. Energy Secretary. Buying up petrol stations would be no easier. "The closer you get to the consumer, the worse is the political smell," says one KPC executive. Moreover, slack market conditions have made the U.S. singularly unattractive now.

The takeover of Gulf Oil's assets in Britain is mooted to be the next stepping stone in the creation of a downstream network for KPC. To KPC, Britain is a large, free market, compared with France and Germany where the U.S. company's holdings are insignificant and more regulated. The one identifiable hitch to the deal is the Milford Haven refinery, which Gulf holds jointly with Texaco. With an expansion in refining capacity underway at home, KPC naturally has little interest in taking over further capacity.

Questions

KPC officials say they understand the concern of both the British Government and Gulf Oil itself over the future of the plant and its employees. KPC, may it seems, have to swallow the Milford Haven plant in order to secure the 400 petrol stations which go along with it. Or, as Sheikh Ali Khalifa hints, KPC could look at other options up for sale from other companies.

The latest Italian deal and the imminent British acquisition has sparked questions in Kuwait as to why the national oil company should be venturing into countries with such bad strike records.

KPC officials argue that the strike record in the oil industry is far better than other industrial sectors. Officials point to the necessity of securing a continuous market for its products, and say they are only buying assets which fit into the KPC structure.

However, KPC's venture into the retail end of the oil industry does have other ramifications.

These acquisitions could affect the country's oil policies in future, particularly its willingness to participate in any boycott decided on for political reasons.

Kuwait has been trying to *allay fears* that it will hit European petrol pumps hard when OPEC policies require it. The country is anxious to notch up a record as a reliable and steady supplier. Its acquisitions have also required KPC to enter the world oil markets to buy oil or swap their crude with traders. Their Denmark refinery purchased last year requires about 30,000 b/d of sweet crude. This year, KPC is also entering the world LNG market to boost local gas supplies to power stations and petrochemical plants. Year by year, it is seeing the market from another point of view.

The only constraints to further purchases are likely to be political. "KPC will only stop when it becomes politically sensitive," comments a senior executive of the company. "There is a definite sensitivity about being too large or too visible in any one market."

Despite the international attention given to the foreign purchases, KPC's major capital expenditures will in fact be at home, where domestic refinery capacity is undergoing a costly KD 1.4bn expansion programme. In order that such costs be met, it is likely that the remaining unpaid capital of the company will be secured from the government in the next fiscal year. At present, the authorised capital of the company is $8.5bn, of which only $3.8bn is paid.

In KPC's last published accounts, the company's profit figures showed an actual decline because of poor demand in the oil markets. During an 18 month period ending June 1981 net profit was $2.2bn, but 12 months later this had slipped to $1bn.

Figures for the 1982-83 period have yet to be published, but preliminary indications show net profits edged up slightly to $1.05bn. Revenues remained more or less steady, rising from $11.06bn to $12.62bn. These figures exclude last year's acquisitions of the Gulf Oil European assets.

Capital and reserves of the company are $13.8bn and total assets $13.7bn. All profits recorded by the company have been ploughed back into KPC, and have not been called for by its owners, the Kuwait Government.

KPC's acquisition of Sante Fe has had mixed results. During the first year after the purchase, the U.S. company's revenues rose 18 per cent, and net income excluding merger costs went up by 31 per cent. However, the downturn in the U.S. oil market in the last year impacted adversely on 1983's activities. Earnings are said to be well off the peak, because of the downturn in U.S. drilling activity.

Maintenance work in a Kuwaiti oil processing plant

Mineral rights

However, considerable amounts have been spent by Santa Fe on new leases and participations in the Gulf of Mexico and the Outer Continental Shelf concessions. Altogether, some $500m is spent annually on new mineral rights and their development.

One of the challenges for KPC is not only to limit the damage which an oil market slump can do, but also to create a wide managerial team. Since its inception KPC's chairman has been Sheikh Ali Khalifa al Sabah. His attention to company matters must have been curtailed by his acceptance of the post of Finance Minister.

His chairmanship has been of a very personal style—many of the recent acquisitions overseas have resulted from his relationships with the senior executives of the companies involved.

Beyond the handful of key Kuwaiti executives at senior management level, KPC has yet to gain a middle strata of managerial expertise. Hence the flow of ideas for improvement and innovation usually come from the top downwards, and rarely from the bottom upwards.

At home, about 65 per cent of the corporation's employees are non-Kuwaiti, and as a result are said to face little prospect of promotion compared with their Kuwaiti colleagues. As the company becomes larger and its activities more widespread, its management will have to become as sharp and effective as the management of its competitors in the market.

Exploration net spread further

KUFPEC

MARY FRINGS

KUWAIT is the only Gulf member of the Organisation of Petroleum Exporting Countries (OPEC) to have moved outside its own geographical borders to explore for new oil and gas resources.

Its activities were at first limited to participating as an investor in exploration and development projects in a dozen countries around the world, but in October last year the Kuwait Foreign Petroleum Exploration Company (KUFPEC) signed its first operating agreement for a concession in Tunisia.

The second followed a few weeks later on December 28, when Bahrain reassigned to KUFPEC an offshore concession area which was relinquished last March by a consortium of five U.S. companies, led by Union Texas Petroleum.

Mr Yousuf Shirawi, the Bahraini Minister of Development, made a jocular reference to "the new imperialism of Kuwait in the Gulf," but the switch from the old imperialists to the new ones made little difference to the terms of Bahrain's 30-year production sharing agreement. This calls for new seismic surveys and the drilling of two exploratory wells in three years. If oil or gas is found in commercial quantities, KUFPEC gets a *meagre 20 per cent share of* production after recovering its investment costs.

"Concession conditions worldwide are not what they were in the Arab world 30 or 40 years ago," says Mr Abdul Razzak Mulla Hussain, the chairman of KUFPEC. "We have to go out and do business according to the prevailing conditions, which are more satisfactory to the host countries than to the foreign investor." Many of KUFPEC's investments are in Third World developing countries, and the wheel has indeed turned full circle when an Arab country has to assess the risk of having its foreign interests nationalised.

Third World

The small (2,672 square kilometre) Bahrain concession area lies very close to the productive Abu Safa field which Bahrain shares with Saudi Arabia. But it brought no joy to Superior Oil, the original operator who surveyed it in 1970 and over the next 10 years brought in four new partners (Union Texas Petroleum, Cities Service, Anadarko Production, Zapata Exploration) and participated in drilling three dry holes.

Kuwait first put some venture capital into foreign exploration in January 1981, when Kuwait Petroleum Corporation (KPC) bought into a Moroccan concession operated by Elf Aquitaine Maroc. In the same year KPC participated with U.S. and Swedish partners in setting up the Geneva-based International Energy Development Corporation (IEDC); formed a joint venture with Elf Aquitaine, Sumitomo Petroleum Development Corporation and a subsidiary of IEDC to explore onshore in Oman; and acquired a 50 per cent interest in a joint-venture with Solar Petroleum (a subsidiary of AZL) to develop oil leases in the Williston Basin in Montana and North Dakota, U.S.

All these interests were assigned to KUFPEC after it was formed in April 1981 as a wholly-owned subsidiary of KPC, with issued capital of KD 100m.

Since then KUFPEC has swapped Williston Basin for a 30 per cent stake in a joint-venture in China owned by Santa Fe *Minerals, another KPC subsidiary*; the partner is Atlantic Richfield (ARCO). It has increased its stake in the IEDC group, which has concessions in Australia, Sudan, Tanzania, Congo, Oman, Turkey and the Gulf of Suez. And it has added interests of its own; in Sudan (with Total, IEDC and Sudanese National Oil Company); in Indonesia (with Gulf Sumatra); and in Ireland (with a complex group of foreign partners).

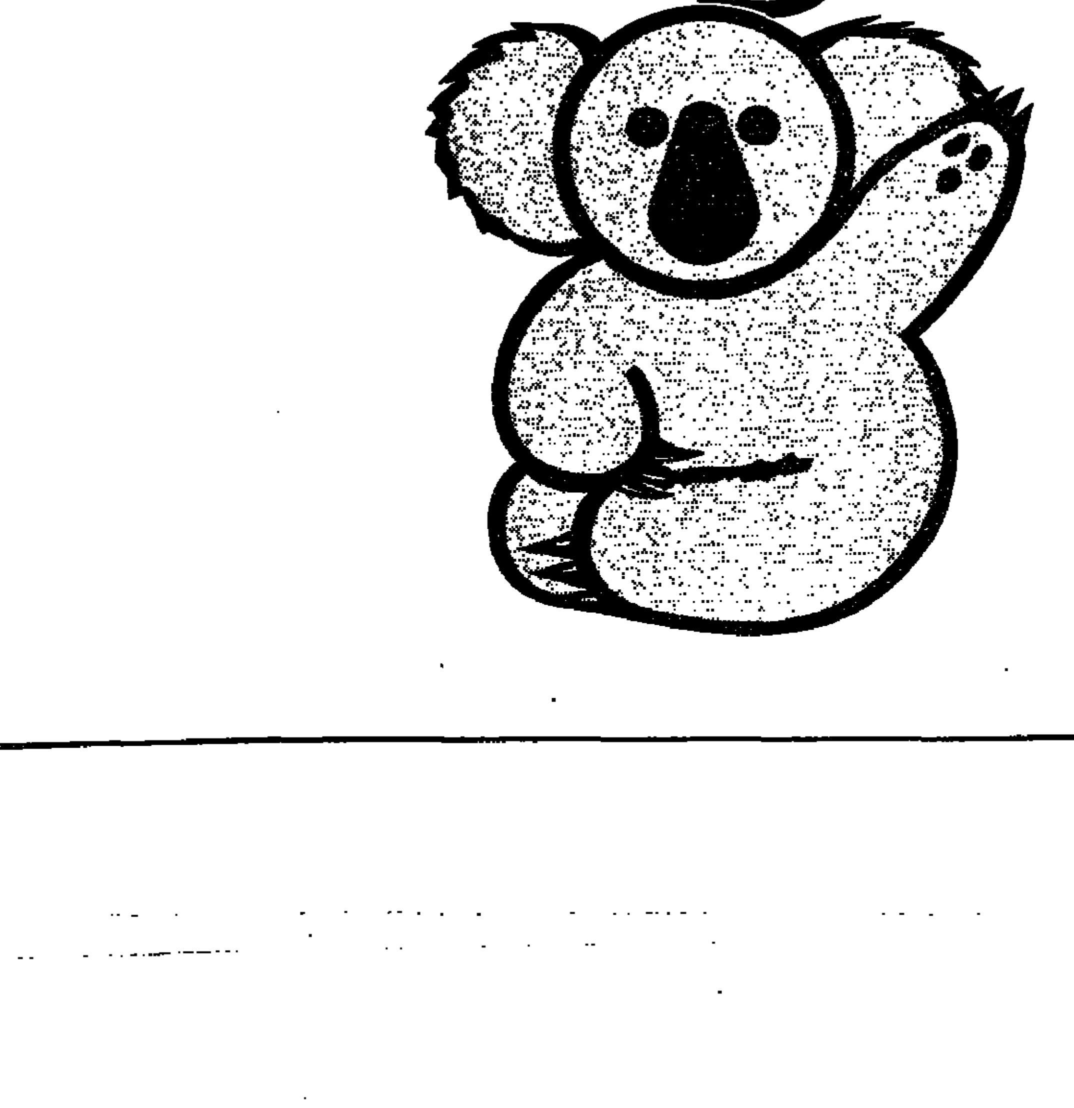
The Indonesian concession has yielded a discovery which is likely to prove commercial, and a *"very small" oil find in the* Gulf of Suez is now being appraised.

Leading role

Following the Tunisian and Bahrain deals, in which KUPEC is for the first time playing a leading role, negotiations for an operating agreement with Pakistan have reached an advanced stage. There is no shortage of proposals — over 200 came in during 1983 — but the company is still small and is being careful not to over-extend itself or to incur an undue concentration of risk. Much of the technical work is done from an office in London; the 90-strong staff there and in Kuwait is expected to grow to 140 by the end of this year.

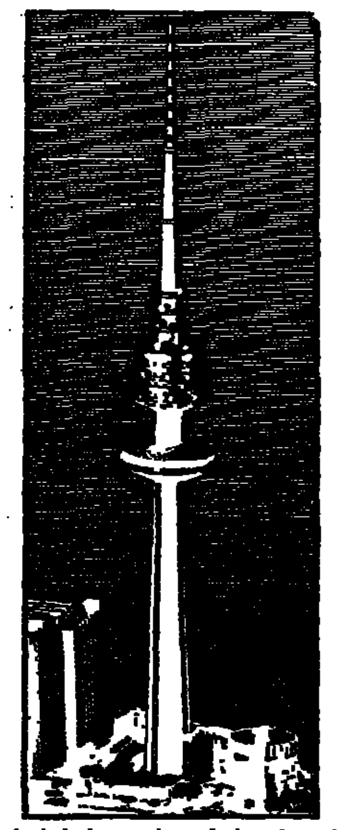
In its first accounting period, covering the 21 months from April 1981 to end December 1982, KUFPEC benefited from interest income of KD 26m ($91.6m), due to the fact that the major portion of its KD 100m capital was converted into dollars and placed on deposit, pending its utilisation in exploration activities. But the company did not show an operating profit and cannot be expected to do so for a number of years; an increasing proportion of its capital will meanwhile go into projects rather than banks.

The company has adopted the "successful effort" method of accounting, which clearly reflects the high risks inherent in oil exploration. Hence in 1981-82, only KD 11m of the amount invested in exploration shows up on the assets side, out of a total of KD 22.5m. The chairman puts gross investment for 1983 at KD 24m, while KD 30m is budgeted for the current year.



On this and the next page Mary Frings identifies some of the projects likely to interest international contractors and consultants. It is by no means comprehensive and timings/prices are included for guidance only. With the exception of oil industry and Ministry of Defence projects, major government construction contracts are handled by the Ministry of Public Works (MPW), once the client has taken a project past the feasibility and preliminary design stages, and has obtained Ministry of Planning approval.

Contracting: projects out to tender



Artist's impression of the planned tower

Telecoms

TELECOM TOWER COMPLEX

This is one of the most exciting projects coming up in Kuwait in the near future. It has been passed by the Ministry of Planning and is on the budget requests list for 1984-85.

Electrowatt of Switzerland was commissioned over five years ago to assess the need for (a) an annexe to the existing telecom building; (b) an antenna structure to handle microwave and wireless links to the year 2,000.

The concept gradually developed into an administration block bigger than the existing building and a free-standing tower reaching 370m into the sky—thought to be among the highest in the world after the Toronto and Moscow towers. It will serve telecommunications traffic, information media, security and defence services and civil aviation.

The concrete structure of the tower goes up to 306m, with a public viewing platform at 145m reached by four "scenic" elevators running up and down the outside. Above is a telecommunications capsule comprising four floors of technical equipment and two outside platforms for microwave dishes.

There are three smaller microwave platforms at a higher level. On top is a steel antenna mast for UHF, VHF and HF transmissions.

Public access to the tower is through a low satellite building, housing the telephone and telex lobby. Underground will be large car parks and water storage tanks.

Client: MPW on behalf of MOC.

Consultant: Electrowatt.

Timing: MOC is pressing hard for completion of the construction contract by 1988. If budget approval is given in July, contractors will be invited to prequalify immediately.

Estimated investment: KD 50m ($172m) excluding telecom equipment, which will be ordered in stages over 15 years.

FIBRE OPTIC LINKS

Kuwait Danish Computer Company has established the first fibre optic link between the suburb of Mishref and Kuwait City central office. Second phase of network will require 360 km of cable.

Client: MOC.

Consultant: MOC.

Timing tenders now under preparation will be issued within six months.

Estimated investment: KD 3m ($10m).

SUBMARINE CABLE LINK, KUWAIT-BAHRAIN

Part of inter-Gulf network with extension to India. Bahrain-Qatar link already underway. Feasibility and economic studies for Kuwait section still being completed.

Client: MOC.

Consultant: not yet appointed.

Timing: projected 1986 completion date is regarded as optimistic.

Estimated investment: uncertain.

PROJECTS NOT YET APPROVED BY MINISTRY OF PLANNING

Procurement and installation of National Control and Monitoring Centre for computerised control of telecom operations (KD 3m?).

Packet switching system (KD 1m?).

Comprehensive Wireless Propagation Studies for Kuwait (consultancy contract KD 1.2m?).

MOBILE RADIO TELEPHONE SYSTEM—a possible re-tender.

Philips and CIT-Alcatel were believed to be the front-runners when this contract was tendered two years ago; bids then ranged from $165m-$300m. Now a KD 25m company is being formed to run the system, with ownership split between private subscribers (51 per cent) and MOC. An invitation to bid to revised specifications may be issued soon.

Client: new j-v company.

Consultants: MTE / W.S. Atkins.

Timing: re-tender expected this year.

Estimated investment: see above.

Industry

DIAMMONIUM PHOSPHATE (DAP) PROJECT

Petrochemical Industries Company (PIC) of Kuwait will form a new company "soon" to produce DAP and NPK fertilisers.

Industries Cemiques Maghrebines (ICM) of Tunisia will supply the phosphoric acid required for the process and will take a 20 per cent equity stake. The feasibility study has been carried out by PIC.

Client: PIC joint-venture company.

Timing: Possible developments this year (pre-qualification of contractors and issue of tenders).

Estimated investment: KD16m ($55m).

PROPYLENE PLANT

Will use by-product gases from the Fluid Catalytic Cracking Unit at Mina Abdulla refinery. Capacity 62,000 tpy.

Client: PIC.

Timing: due to start this year for completion 1988-89.

Estimated investment: KD32m ($110m).

POLYSTYRENE AND PHTHALIC ANHYDRIDE PROJECT

Undertaken by Kuwait Petrochemical Products Company (KPPC), a KD 4m joint stock company established in 1981 by PIC (45 per cent), IBK (25), Melamine Industries Company (15) and a local petrochemicals trading company, Independent Petroleum Group (15).

The original concept was to produce and market downstream petrochemicals based on planned PIC production of styrene and xylene, but due to cancellation of the olefins and aromatics projects feedstock will be imported.

Polystyrene capacity 32,000 tonnes a year, anhydride 20,000 tonnes. According to marketing survey by Beicip of France, local demand is 15-20 per cent with remainder exported to Gulf area. There are so far no regional competitors.

Client: KPPC.

Consultant: to be appointed.

...Timing: KPPC is currently preparing specifications and considering alternative technologies (five for each process) together with qualifications of contractors. Pre-qualification is still open. Invitations to tender for construction of two plants and off-site works within this year. Start-up probably end-1986.

Estimated investment: KD17m ($60m).

Transport

THE KUWAIT MOTORWAY AND EXPRESSWAY SYSTEM

Still has opportunities to offer, although Phase 1 (48 km of motorway costing KD 81m) is open to traffic and 150 km of Phase II is now under construction at a cost of KD 158m. The entire 330 km system is targeted for completion by 1988 and will cost about KD 970m ($3.3bn).

Contracts which have recently gone out to tender include the first 11.5 km stretch of the Jahra Motorway (tender No RA/38); the first 28 km stretch of the Outer Bypass Route (RA/23) and 14 km of associated roads (RA/58).

Prequalification closed last month—with over 100 applications in—for construction of the Mirgab Transportation Centre, a "park and ride" terminus with 5,500 car spaces, taxi and bus stations and a roof-top recreation centre. The cost of the building (RA/45) could go as high as KD 77m, with another KD 50m for highways (RA/46).

It is also just too late to prequalify as a bidder for the Area Traffic Control System (estimated value KD 5m, planning consultant Wilbur Smith) and the Motorway Surveillance System (up to KD 150m—Maunsell Consultants M.E. Ltd). But the following have yet to come to the pre-qualification stage:

KUWAIT TOWN HIGHWAYS (INNER RING ROAD)

(Except for an advance works contract, involving construction of storm water culverts, which has been let to a local contractor, United Gulf Construction, at KD 2.8m.)

A 7.8 km loop motorway around down-town Kuwait City including major services relocations. Four major contracts (RA/28, 30, 31, 32). The last is likely to go to local builders, since it mainly involves upgrading. Of the remainder, Kuwait Town Waterfront 1 B includes a 1 km tunnel through the centre of town (RA/28), and RA/31 includes a viaduct.

Client: MPW on behalf of Kuwait Municipality. Consultant: L. G. Mouchel.

Timing: RA/28 will be let this year, RA/30 and 31 probably in 1985.

Estimated investment: Up to KD 150m ($501m) for the whole project.

JAHRA MOTORWAY/ EXPRESSWAY, GHAZALI EXPRESSWAY PROJECT

Total length 32 km, including 17 km of dual two-line motorway elevated on a viaduct structure with 24 ramps connecting the ground level to the motorway.

Contract I of the Jahra Motorway (RA/38) is out. Next to come up will be Contract III (RA/40) for the 5 km Ghazali Expressway, covering a distance of 4.2 km.

Three more Jahra Motorway contracts (total length 27 km) are listed by MPW as under design and tendering, but two of them may be delayed. (RA/39, 43, 44).

Client: MPW. Consultant: Freeman Fox International (FFI)/Al-Marzouk and Abi-Hanna.

Timing: RA/40 and probably RA/43 due to start early this year.

Estimated investment: KD 250m ($850m) for the whole project.

OUTER BYPASS AND ASSOCIATED ROADS

Outer Bypass approx 40 km, other roads 35 km. Tenders RA/16, 23 and RA/58. For each of tenders RA/23 and RA/58, 16 contractors have pre-qualified.

RA/16, covering 32 km of bypass, is on MPW's "under design and tendering" list, although it may be subject to delay.

Client: MPW. Consultants: Al Marzouk and Abi-Hanna, Brian Colquhoun & Partners, W. S. Atkins.

Timing: uncertain for remaining tender.

Estimated Investment: KD 20-25m ($70m-80m).

SIXTH RING ROAD (EAST SECTION)

Covering 9 km. RA/64.

Client: MPW. Consultant: De Leuw Cather International (DCI). Timing: construction start planned for this year, completion target 1987. Estimated investment: KD 15m ($50m).

POSSIBLE RE-TENDER FA-HAHEEL EXPRESSWAY

Upgrading about 40 km of road to expressway standard. This project is under construction but is well behind schedule, and it is quite likely that the Spanish contractor (S. A. Ferrovial of Spain/United Trading Group) will be dismissed.

Client: MPW. Consultant: W. S. Atkins.

GULF RAIL NETWORK

Studies identified heaviest traffic flow (goods and passenger) between Kuwait and the north, to or through Iraq. In 1978 Kuwait agreed to build a line to the border, which Iraq would extend northwards.

A route south has also been studied, and agreement reached in principle with the Saudis. Nothing is imminent in construction terms, but things could move quickly once the Gulf war is over.

NATIONAL SYSTEM. De Leuw Cather due to complete a feasibility study and preliminary designs for a link from Shuwaikh Port, across Sulaibikhat Bay to the Doho peninsula, and to Shuaiba Port, by the middle of this year.

The first stage will probably be a road and rail bridge across the bay, but the timing depends on a parallel study for the development of Shuwaikh Port.

Client: Kuwait Municipality/ MPW. Consultants: Transmark, Freeman Fox International, De Leuw Cather International.

Timing and estimated investment: uncertain, although a figure of KD 100m ($350m) has been put on the Doha-Shuwaikh bridge.

"PEOPLE MOVER" SYSTEM

At the early planning stage —a consultant may be sought to develop the idea of transporting people around the busy downtown area of Kuwait City by monorail.

Client: Kuwait Municipality/ MPW. Estimated investment: one guess is KD 200m ($700m).

Urban development

There is an extensive programme of new town development as well as inner-city reconstruction schemes. Many are too far ahead to be listed here, but interested consultants should both register with the Ministry of Planning and make sure their capabilities are known to Kuwait Municipality.

SUBIYA NEW CITY AND BURIYAN ISLAND DEVELOPMENT

Although this is a long-term project it is now coming to the practical planning stage. A bridge to the as yet unpopulated Bubiyan Island, which lies in the triangle between Kuwait's north-east coast and Iraq, has already been completed by Bouygues.

The Municipality is working out a budget programme until 1990, but orders are expected to be placed within the next financial year for water pipes and other equipment, for a start to be made on the infrastructure in 1985. This will be a major task, since the nearest utilities are over 40 km away.

A KD 1.7m study and predesign contract has been awarded to Lebanese consultants Dar Al Handasah with Hunting Technical Services (UK). The intention is not to create a dormitory town, but a self-contained community with a variety of employment bases. First-stage population planning is for 50-60,000, going up to 250,000 between 20 and 35 years from now.

Client: Kuwait Municipality/ MPW.

Consultants: Dar al Handasah/Hunting, KISR (Kuwait Inst. for Sc. Research)

Timing: 1985 start depends on budget approvals.

Estimated investment: KD 3.5bn ($12bn) at 1983 prices.

WATERFRONT PROJECT

A five-phase development of 25km of shoreline from Shuwaikh to Salmiya, to provide family recreation facilities. The first phase, which includes an artificial island as well as parks and beaches, is under construction by a Yugoslav joint-venture IGG/PIM, the second has been tendered, but there is still time to get in on Phase III (prequalification closes Feb. 27!).

Planning approval has yet to be obtained for stages IV and V, one of which includes an off-shore sea aquarium.

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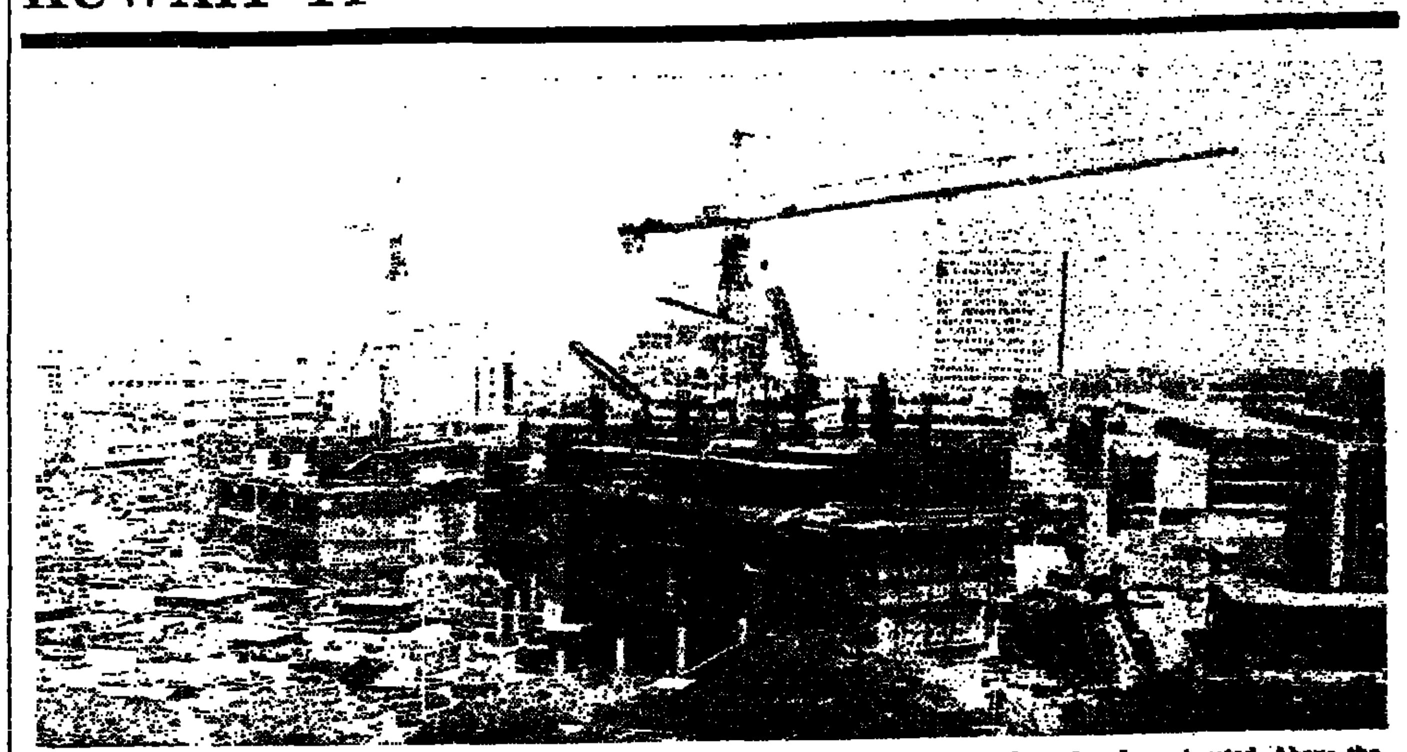

Despite the decline in oil revenues, major office and residential buildings are still being planned and constructed. Above the changing Kuwait skyline

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Client: Kuwait Municipality.
Consultants: (design) Sasaski Ass. (U.S.) (supervision) Brian Colquhoun & Partners with Al Marzouk & Abi-Hanna.
Timing: Phase III expected to be tendered in July this year, depending on budget approval.
Estimated investment: KD 140m ($480m) for the whole project, later phases probably KD 20-30m each.

DEVELOPMENT OF DISTRICT CENTRES

At least half a dozen commercial and civic centres are planned, to spread the population over a wider area and avoid inner-city congestion.

Kuwait Commercial Markets Complex Company (KCMC) is now being set up to execute these projects, as a joint-venture between government and private sector. It will be given the opportunity of demonstrating its approach in the construction and management of the first two projects: Salmiya (now scaled down to a shopping concourse) and Jahra.

If these go well, KCMC could tackle part of the KD 64m development, for which Technical Studies Bureau (TEST) and Mouchel have done preliminary designs. Other consultants could be called in at the next stage.

Other major projects on the drawing board are the KD 30m Fintas Centre (Arthur Erikson and Freeman Fox), which includes a sports complex, technical workshops, shops and car park; and the KD 57m Mishref district development (Kuwait Engineering Bureau with Colin Buchanan & Partners), which includes a government zone, a national computer and microfilm centre, a 500-bed hospital, post office, power station, mosque and helicopter launching pad. A small section of this scheme—the Mishref Neighbourhood Project (see below) appears to be going ahead in isolation.

Client: KCMC/Kuwait Municipality. Consultants: (Saymiya) Kuwait Engineers Group, TEST/Mouchel, (Jahra) Devicon.
Timing: Salmiya shopping concourse should go ahead this year.
Estimated investment: Salmiya KD 25-30m ($85-100m), Jahra KD 50-60m ($170-200m).

CENTRE MISHREF NEIGHBOURHOOD

A retail shopping and community area covering 33,000 sq m.
Client: MPW.
Consultant: Kuwait Engineers Office (KEO).
Timing: for completion in 1987. Pre-qualification is still open, although in final stages.
Estimated investment: KD 7.1m ($24m).

NEW PUBLIC ZOO

On a 182-hectare site south of Sixth Ring Road and 8 km west of the Airport Road. The core of the design is a two-level indoor zoo under shade provided by a high space-frame. Each geographical zone has audio-visual information facilities for the visitor.

There are outdoor animal exhibits, a children's zoo, play area and family picnic area.
Client: MPW.
Consultants: Concept: Envirment of Man & Animal (U.S.). Design: John S. Bonington/Kuwait Engineers Office (KEO).
Timing: Under detailed dedesign. Tenders expected this year.
Estimated investment: KD 20-25m ($70-85m).

Utilities

SEWERAGE AND DRAINAGE

Extensive renovation works go mainly to local contractors. The drainage section at MPW *has spent* KD 45m *on new* projects between 1981-83, but this year's programme depends on budget approvals. A sewerage treatment plant at Um Al Hinam is near the top of the list; a consultant either has been or is about to be selected.

John Taylor and Sons are working on tertiary treatment of effluent for use in agriculture, while Watson Hawkesley is studying a solid waste *disposal* project for the Shuaiba industrial area, in association with KISR and Environment Resources.

ELECTRICITY

There is a gap as far as power generation is concerned. Major contracts on the Ras Al Zour (South) Station have been let. Two new 2,400 MW power stations at Subiya and Ras Al Zour (North) are not due for completion until the 1990's.

A restricted tender for seven 132 KV sub-stations in the distribution network closes on March 25. Seven companies pre-qualified.

A number of supply and maintenance contracts are offered on a regular basis, but it is necessary to be on MEW's list.

WATER

Prequalifications for pipe-laying contracts as part of the KD 115m Al Zour Water distribution project close on February 22.

Invitations will be issued shortly to pre-qualify for supply and installation of eight water distillation units (each 6-7 mgd) for Ras Al Zour Desalination Plant.

Client: MEW. Estimated investment: Not less than KD 100m ($345m).

Contracting: projects out to tender

Major buildings

Government housing, schools and markets usually go to local contractors. The National Housing Authority (NHA) has scrapped further plans for multi-storey apartment blocks *in favour of villa developments.*

GOVERNMENT CONVENTION CENTRE

A large complex to be located south of Kuwait City, at the intersection of the Al-Safar Expressway and Fifth Ring Road. Phase I comprises the main conference building with nine meeting halls and extensive office accommodation. Phase II may include a hotel.

Client: MPW. *Consultants:* Main architect — Maksimovic (Yugoslavia). Pre-design—RAT (Yug.)/Archicentre (Kuwait). Service engineers — Schmidt Reuter (Cologne). QS—Graham, Billin, Guthrie and Partners.
Timing: tenders ready by mid-85.
Estimated investment: KD 60-62m ($200-210m) for Phase I. Was originally a KD 200m project.

HQ BUILDING FOR FOUR ARAB ORGANISATIONS

A nine-storey block near Shuwaikh for OAPEC, AFESD, AMPTC, I-AGC.

Client: AFESD (Director of Administration Dr Al Nass). Consultants: Makiya Associates with Heath and Spearing/Godbeer and Bentall/Guthrie and Partners. Timing: Site work to begin in 1985 Estimated investment: KD 20m ($70m).

18 Storey Commercial Building located in Safat Square.

Client: private investor. Consultant: Archicentre (Kuwait). Timing: tenders within two months. Estimated investment: KD 5m ($17m).

JOINT INSURANCE COMPANY COMPLEX

A four-building project in Sharq district of Kuwait City, on 45,000 sq metre site. Schematic design just starting.

Client: Four major insurance companies. Consultants: Pan-Arab Consulting Engineers (PACE) for three of the companies. Al Marzouk and Abi-Hanna for the fourth. Timing: tenders mid-1985. Estimated investment: KD 12m ($41m).

HQ BUILDING FOR MINISTRY OF ELECTRICITY AND WATER (MEW)

Client: MPW/MEW. Consultant: to be appointed this month. Timing: tenders mid-1985. Estimated investment: KD-14-15m ($48-51m).

HQ BUILDING FOR BURGAN BANK

Massive nine-storey tower block of glass and marble, designed to complement the nearby Stock Exchange and State Mosque.

Client: Burgan Bank. Consultants: Hellemuth, Obata and Kassabaum/KEO. Timing: completion 1986-87.... Estimated investment: KD 6.9m ($23m).

AL MASHREQ TOWERS

Twin 21-storey office towers linked at ground, mezzanine and first floors by a triangular shopping mall. Total built-up area almost 100,000 sq metres. Each tower is a two-winged construction featuring a glass-fronted elevator shaft. The top three floors are enclosed by a sloping glass skylight. Basement car parking.

Client: Al Mashreq Real Estate Company. Consultant: Kuwait Engineers Office (KEO). Timing: In final design stage, target completion date 1987. Estimated investment: KD 26m ($88m).

ANWAR AL SABAH COMPLEX

Another pair of 21-storey towers, situated on Fahd Al Salem Street on a 10,000 sq metre site. Shopping mall at ground and Mezzanine levels. Covering the mall and spanning 84 metres between the towers is a seven-storey car park, topped by a health club, swimming pool and restaurant.

Client: United Realty Company. Consultant: KEO. Timing: completion target 1987. Estimated investment: KD 21m ($71m).

Hospitals

Kuwait's master plan includes a number of new government hospitals. In addition, private benefactors are donating a kidney dialysis centre (under construction), a polyclinic, a 200-bed addicts centre, a genetic research laboratory, and specialist hospitals for burns and plastic surgery, and dermatology.

The following are among the government hospitals likely to be built soon.

PHYSICAL THERAPY AND REHABILITATION CENTRE

*Three hundred beds. For long-*term physiotherapy treatment with a workshop for making artificial limbs.

Clients: MPW/MPH. Consultant: IMOS (Yugoslavia). Timing: If budget is approved will go to tender this year. Estimated investment: KD 20m ($68m).

FAILAKA ISLAND GENERAL

One hundred beds.
Client: MPW/MPH. Consultant: Aart (France). Timing: tenders expected early 1985. Estimated investment: KD 6-9m ($20-30m).

COMMUNITY MEDICAL CENTRE

Will have a teaching facility, to educate the public in health care.

Client: MPW/MPH. Consultant: Archicentre (Kuwait). Timing: design ready, awaiting budget. Estimated investment: KD 4m ($14m).

A 350-bed Infectious Diseases Hospital (KD 16m) and a 300-bed Psychiatric Hospital are still under study by the Ministry of Planning. Consultants may be selected in the 84-85 financial year for a KD 27m Allied Medical Health Care Centre, at *Sulaibikhat.*

Equipment

MINA ABDULLAH REFINERY

Major equipment orders are now starting to be placed for this modernisation project.
Client: KNPC. Main Contractor: Santa Fe Braun.

STOCK EXCHANGE

Kuwait Foreign Trading, Contracting and Investment Company (KFTCIC) is compiling a pre-qualifying list of equipment suppliers. The building is complete.

MILITARY HOSPITAL

Equipment will be needed for the 260-bed hospital now under construction by a local contractor (United Building) for completion in 1986.

Client: Equipment purchases through MPH (Ministry of Public Health). Consultant: AART-SETAP of France (design).

SPORTS COMPLEX

Includes a stadium for 50,000 spectators and an Olympic swimming pool.

Client: MPW/Ministry of Labour and Social Affairs (MLSA). Consultant: Equipment suppliers should send literature to Mr Adel Al Raqum at MLSA.

The Ministry of Electricity and Water (MEW) issues periodic tenders for the supply of ductile pipes and water storage tanks.

Testing the censor's limits

Profile of Abdul Hussein

KATHY EVANS

ONE OF THE most popular symbols of the freedom of speech which Kuwait cherishes so much is embodied in the unlikely figure of Abdul Hussein Abdul Ridr.

Abdul Hussein is not only Kuwait's leading actor, comedian and playwright he belongs to a fast dying breed in the Arab world — he is a political satirist.

His plays have left few unscathed—Cabinet ministers, leading merchants, the upper classes of the Gulf, the bedu—all have suffered from his incisive comic sketches. It literally could only happen in Kuwait.

Elsewhere Arab leaders can be toppled, assassinated or be fatally reshuffled, but they can never be laughed at. In Kuwait, the Government actually provides financial assistance for the staging of satirical plays.

Abdul Hussein shot to fame in the Gulf with a comedy on the behaviour of Kuwaitis and Saudis while on holiday in London.

The play, "Bye Bye London," showed Gulf citizens at play, let loose from the social restrictions, and appearing very different from the dignified, sober people they are back home. While officially supported in Kuwait, "Bye Bye London" was banned in Saudi Arabia.

His next topic was closer to his native Kuwait, namely the catastrophe of the Souk al Manakh. Abdul Hussein plays six roles in the play, ranging from a bedu stock market investor, made suddenly rich from the Manakh, to a mean bank manager who refuses to lend money for stock market dealings.

A fellow actor mimicked the Minister of Commerce, down to the tiniest details such as the way the Minister wears his headdress. Jassim Marzouk, the Commerce Minister, officiated at the play's opening night—he was said to be unamused in certain parts.

Political

"Fursan al Manakh" (The Knights of Manakh) ends with everyone becoming bankrupt. The bedu share dealer loses his house, his car and even his girlfriend. It was a roaring success and ran for 90 performances.

His next play is nearer the political threshold, however. Named "Bye Bye Arab," it tells the tale of Mr Arabi, an Arab Mr Everyman, who finds a magic ring. When he rubs the ring, a genie appears offering to grant him any wish.

Mr Arabi considers the offer and asks the genie to accomplish the impossible and unite the Arabs. The genie brings forth a host of nationalities, from Syrians to Lebanese, Saudis and Palestinians. The debate is endless and in the end the genie ruefully admits defeat.

It promises to be another smash hit for its author, providing it can pass the Kuwaiti censorship laws, which Abdul Hussein says he is fairly confident of.

While being tolerant of criticism of its own Government and ministers, Kuwait draws the line at its neighbours.

Abdul Hussein says simply: "Thank God I am in Kuwait and not anywhere else."

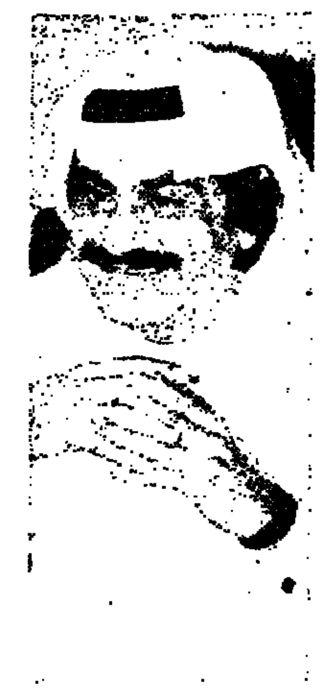
Video cassettes are a growing business for Abdul Hussein. His television plays are sold all over the Gulf and even distributed in London.

Exports form 20 per cent of his business. The rest comes from the highly active theatre going public in Kuwait.

That public is amply fed by four government theatres and eight independent companies. In addition, another 10 companies are making plays for television, though not all are fed with scripts from Abdul Hussein and his co-writer, Egyptian-born Nabil Badran.

Only an actor and writer of Abdul Hussein's standing can get away with the comments he makes. If there is a political threshold for writers, you can be sure Abdul Hussein will be right up against it.

Left: poster advertising The Knights of Manakh



Abdul Hussein: his plays leave few unscathed

A prized collection of Islamic art and history

National Museum

MARGARET HUGHES

CHOOSING a postcard in Kuwait is not the easiest, let alone the most exciting, of tasks. The majority are of sky-scraper skylines. Most appropriate, perhaps, are those which simply show a gas flare in the desert. There are none that depict any achaeological or even historical site—unless you stretch the imagination to include the state mosque.

The selection sums up the overall impression of the country. There is no immediate association with culture. This may soon change for Kuwait has acquired one of the most prized collections of Islamic art at its National Museum. It is hoped that this will not only attract art experts but become the focus which could establish Kuwait as a centre for studying Islamic art and history.

The collection, which is on loan to the museum, belongs to Sheikh Nasser Sabah al-Ahmad al-Sabah, 37-year-old nephew of the ruler and his wife Sheikha Hussa Sabah al-Salem al-Sabah, daughter of the former ruler.

Benefit

Neither are art historians or even historians. He is a businessman whose interests include United Gulf Bank and Al-Futtooh Investments along with real estate and trading companies. She reads English literature. Yet in a remarkably short time—eight years—they have amassed a collection of 1,500 pieces and 20,000 coins which art experts put among the top six or seven Islamic collections in the world.

Sheikh Nasser first became interested in Islamic art when he was a schoolboy in Jerusalem, benefiting from his proximity to the holy monuments and developing an interest in calligraphy.

The collection began with a Mamluk enamel-decorated, glass bottle dating from the 14th century AD which they bought from the Ahuan Islamic Art Gallery in London, and is now on show in gallery six of the museum. It seemed very expensive then, says Sheikha Hussa but is today the "mother of our collection."

Since then they have bought extensively and expensively from salesrooms such as Sotheby's and Christie's, in which they now have a 10 per cent stake, and from dealers such as Spinks.

But many items they have also bought directly themselves like the magnificent 14th century, 14 foot-high carved and painted doors which dominate the mezzanine floor of the museum. These they saved from the demolition men in a rundown area of Fez in Morocco. Or the Mamluk silver pen box which Sheikh Nasser found in a flea market in New Delhi.

As they added to their collection they ran out of space. Preferring, Sheikha Hussa says, not to keep them "in a strong room or bank" the precious pieces were "stacked up" at home. So they decided to set up a museum to house and share their collection.

They commissioned the famous Egyptian architect Hassan Fathi. But before they had started to build it they were approached by the Kuwaiti government. It had a museum which had been completed in 1981 but didn't know what to put in it. Designed in 1958 by Michel Ecochard it comprises four interlinked buildings and a planetarium overlooking the Gulf near the Sief Palace.

One of the buildings now houses the al Sabah Islamic collection, another a temporary exhibition of pearl diving relics and other ethnographic material as well as archaeological bronze age objects from excavations on nearby Falaika island in the Gulf. By the end of 1986 there should be a natural history museum, a full ethnographic museum as well as a planetorium. In the forefront is Al Sadu House, a centre for preserving the art of bedouin weaving, which Shaikh Nasser and his wife were also involved in setting up some six or seven years ago with nine other couples.

The Islamic museum comprises three floors and a messanine level connected by sloping ramps in a spacious open-plan style. The collection is displayed in chronological order with regional breakdown.

It starts in gallery one with the Ummayad and Abbasid periods of Syria, Iraq, Egypt and Spain and follows on in gallery two with the early Egyptian periods of the Tulunids, Ikhshidids and Fatimids and includes an Egyptian coin collection. Gallery three houses the early medieval Persian periods of the Samanids, Ghaznavids, Seljuqs and Il-khanids.

A wall of Ferdowsi's Shahnameh and Manafi al-Hayawen minatures leads to the mezzanine floor, split between the Ayyubids and Nassarids in gallery four and the Mamluk era in galleries five and six of largely Egyptian origin and including coins.

Superb

On the lower level in gallery seven is the fine collection of carpets which can also be seen to advantage from the upper floors. They include a superb nine metres long Safavid garden carpet, Kirman dragon and Tabriz medallion carpets. Opposite the carpets is another series of miniatures, this time Nizami's Khamseh. There are more carpets, this time predominantly from Turkey, as well as fine tiles in gallery nine housing pieces from Ottoman Turkey and Timurid and Safavid Iran (gallery eight is temporarily closed).

The last gallery contains the Mughal collection from India with its fabulous diamond and ruby encrusted daggers and scabbards, carved emeralds, an emerald necklace weighing 530 carats and a single 234-carat emerald adorning an armband.

On National Day, the first anniversary of the opening, some 250 pieces collected during the year will be added to the exhibition. Among them will be an Ummayad piece from the facade of a Jordanian desert palace. The facade was donated during the building of the adjacent Hijaz railway to the Kaiser by the last Ottoman Sultan and most of it is still in the state musuem in East Berlin.

The collection has impressed even the most exalted of Islamic experts and scholars—some 300 attended the opening. It is more comprehensive than most. In part this is because the al Sabahs have not been handicapped by the financial and other constraints which dictate most museum buying. Equally the very fact that there is such a dearth of indigenous material has meant that the collection is much wider ranging than, say, Cairo or Damascus where the bulk of the museum pieces, are either local or, at least, locally purchased or donated. In addition there are several, often small pieces in the al-Sabah collection which are there purely for their own intrinsic beauty rather than their rarity or historic importance.

Mr Manuel Keene, the curator, says the collection has been bought with an "acuity surprising in non-scholars." This, he adds, is reflected in the very high percentage of "good" pieces.

Of the 1,500 pieces, 1,300 are on display compared with, say, the New York Metropolitan Museum (where he once worked) where only some 1,600 out of a total collection of 8,000 are considered good enough to exhibit.

The strengths of the collections are considered to be in the early and medieval periods. Among the many pieces which Mr Keene and other experts single out are a glazed and lustre painted ninth-century bowl from Iraq as well as Iranian cast bronze and engraved ewers from the eighth- and ninth-century. Several of the outstanding pieces were acquired from the collection of the Marquis of Ganay. These include a set of 10th-century Egyptian rock crystal chess pieces, a rock crystal Fatimid bottle and a rare Iranian 14th-century painted wooden Koran box. Another acclaimed piece is a 16th-century Egyptian Manluk carpet bought for £110,000 at Sotheby's when Shaikh Nasser outbid the British Rail Pension F und.

The collection is on loan to the Kuwait Government for five years, but Sheikha Hussa and her husband hope it will remain there for ever. Whether it does, she says, depends on whether the Government "appreciates" and takes care of the collection. "The problem in Kuwait, she says, is that art, let alone Islamic art, is not given the status it deserves."

The hope is that the Government will become more involved in the museum. It was the al-Sabahs who brought Dr Marilyn Jenkins, associate curator of the Islamic department of the New York Met, to direct the setting up of the museum along with Mr Charles Ryder, Mr Michael Bates and Mr Manuel Keene and it is they so far who have paid for the outside expertise (Anna Plowden of the UK did much of the restoration work) needed for such an operation. Sheikha Hussa is reluctant, as she puts it, "to make threats" but it is clear that if the al-Sabahs do not see the Government taking sufficient interest they will open their own private museum. The precedence is there in the setting up of the Tareq Rajab museum which is said to have been set up largely as a result of frustration with government apathy.

Expertise

The hope, though, is that the collection will remain in the national museum as much for its educational role as anything else. Having learnt so much herself from collecting and meeting experts and scholars Shaikha Hussa is anxious that this knowledge should reach other Kuwaitis—an average of 200 to 300 of various nationalities now visit the museum daily. As director of the museum, she is now busily developing educational programmes with schools and the University of Kuwait as well as training volunteer (unheard of in Kuwait, she says) guides.

In co-operation with the University an annual bulletin is to be published of articles written by experts on various aspects of the collection. University staff will give lectures on the different periods of Islamic history. There will also be a series of catalogues for scholars—at present there is only one introductory one written by Dr Jenkins—whilst visiting experts will act as curators and at the same time write books on their particular field.

The ultimate aim is to, on the one hand, establish faculties of Islamic art and history at the university so that it becomes the educational centre of the area and, in Shaikha Hussa's words, make Kuwait "a cultural stopping off point, not just a place of oil and money."

KUWAIT IS free from exchange controls and there are no restrictions on the transfer of profits or dividends abroad.

While there is no personal income tax or witholding tax, there is a corporate tax which is currently applied on a limited basis and may be extended in the future.

In this respect a distinction is made between "trading with" the state (the supply of goods to Kuwaiti ports) and "trading in" the state, which involves establishing a local branch with a Kuwaiti sponsor, or entering into some form of joint-venture with Kuwaiti interests. The latter activity is taxable.

Trading with Kuwait

Exporters to Kuwait will need to appoint a local agent or distributor, since only Kuwaiti merchants (ie registered members of Kuwait's Chamber of Commerce and Industry) may import goods. Exceptions are made in the national interest, particularly where military or other security-related equipment is involved.

AGENCY LAW

Agencies are covered by certain provisions of the Commercial Law (Law No. 68 of 1980) and the Registration of Commercial Agencies Law (Law No. 36 of 1964).

There are three types of agency:

1—A contract agency, where the local agent acts on behalf of the principal, for an agreed commission.

2—A distributorship, where the local agent buys from the principal and acts on his own behalf.

3—A commission agency, where the local agent acts for an undisclosed principal. This form of agreement is not common.

Contract agents and sole distributors are protected from termination of the contract without compensation, unless the principal can prove negligence or breach of contract. Local distributors will therefore seek exclusivity.

In the event of termination, the agent has 90 days in which to bring an action for compensation. The law does not specify how the compensation is to be calculated.

The agent is entitled to his remuneration on all transactions in his area of operations, even if such transactions have been concluded directly with the principal and the agent has not been involved. He is also entitled to his remuneration on transactions which would have been concluded but for some act of the principal.

The parties to an agency agreement are free to negotiate their own financial terms.

There is no set form of contract, but it must be in writing and specify the agent's scope of authority, the activities to be undertaken, the method of calculating the agent's remuneration and the duration of the agency.

If under the terms of the agreement the agent is required to erect showrooms or other premises, the duration of the contract must be a minimum of five years.

Agency agreements normally define the responsibilities and obligations of the contracting parties as fully as possible, even where such obligations are provided for in the Commercial Law.

An agency agreement must be notarised and authenticated by the Kuwaiti Embassy in the principal's country of residence, and registered with the Ministry of Commerce within two months. A circular on the detailed steps to be taken for registration is available in English from the Ministry.

IMPORT REGULATIONS

The provisions of the Arab Boycott Law must be complied with. All goods imported into Kuwait must be accompanied by a certificate of origin duly certified by the Chamber of Commerce and Industry of the exporting country and showing:

1—the full name of the producer or manufacturer, and the freight forwarder.

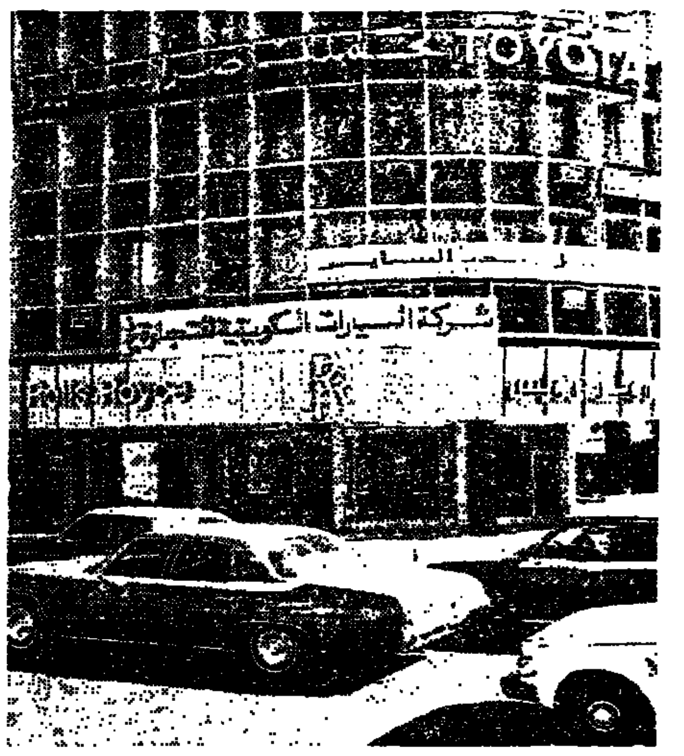
2—The means of transportation.

3—A declaration that the goods are not of Israeli origin and do not contain any material made in or imported from Israel.

For health reasons, additional documentation is required for the import of live animals, meat and meat products, to comply with Municipality requirements.

All foodstuffs must carry an Arabic language label stating the name of the product, the ingredients, gross and net weights (metric), country of origin, and expiry date.

The importation of drugs, alcohol, pork and pigskin products *is prohibited. In addition,* local industry enjoys a monopoly of certain products, currently including flour, asbestos pipes, cast-iron manhole covers and live chickens.



Competition to sell cars in Kuwait is intense. Rolls-Royce and Toyota are well established in their different segments of the market

TRADEMARKS AND PATENTS

Trademarks may be registered in Kuwait, subject to certain conditions set out in the Commercial Law, for a small fee. Owners of registered trademarks are protected against infringement of their rights for a period of 10 years (renewable).

A provision for the registration of patents has existed since 1961, but an adjudication committee has yet to be set up.

TARIFFS

Most goods imported into Kuwait are subject to customs duty of 4 per cent, calculated on their C & F value. The new Gulf Co-operation Council Economic Agreement has set the same base rate as Kuwait's, so there have been no recent changes.

Certain categories of goods are exempt from duty. They *include: gold and silver bullion;* foods and beverages (except for spaghetti); books, periodicals, newspapers and *ready-to-show* movie films.

New industrial ventures in Kuwait may be granted tariff protection for their first five years of opeartion, but in practice this period can be extended. Protective tariffs of 15 per cent currently cover several categories of imported goods, including paints, car batteries, metal shelving, certain types of plastic products and cast iron pipes, spaghetti and liquid detergents.

COMMERCIAL SAMPLES

Representatives of foreign companies are required to pay a surety of 10 per cent of the value of any commercial samples they may bring into the country. The surety may be reclaimed when the goods are re-exported.

However, should the representative sell the samples in Kuwait, he would lose his right to reimbursement, and the Chamber of Commerce warns that "special care shall be taken to ensure that the same representative pays customs duties on all samples he may *bring with him to Kuwait in the* future."

Trading in Kuwait

Foreign professional firms such as architects, consulting engineers and urban planners are permitted to practise independently in Kuwait. However, many find it advantageous to work in association with local professional partnerships.

Contractors and commercial or industrial companies (or individual entrepreneurs) do not have the same freedom of action. They may only conduct business in Kuwait in conjunction with Kuwaiti interests, in one of three ways:

1—Under the sponsorship of a registered Kuwaiti merchant (agent).

2—Through a joint-venture partnership.

3—Through a Kuwaiti-registered legal entity in which the Kuwaiti partner has at least 51 per cent of the capital and profit distribution rights.

SPONSORSHIP

A sponsorship agreement enables the foreign business to open a branch in Kuwait. The branch must be registered with the Commercial Agencies Department at the Ministry of Commerce and the public must be notified through the Official Gazette.

The following documents will be required: name and address of the foreign company, nature of business activity; name and address of the Kuwaiti agent; the foreign company's memorandum and articles of association (translated into Arabic and ratified by the relevant authorities); names of authorised signatories; and the last two balance sheets of the applicant (translated into Arabic).

JOINT VENTURE PARTNERSHIP

This is an unincorporated entity provided for in Law No. 15 of 1960, which can be a useful vehicle for foreign companies, particularly those in the service sector.

● It is not subject to registration with the Ministry of Commerce and is freely negotiated between the parties concerned.

● It does not have a distinct legal personality or separate capital.

● Third parties' legal ties are with the partner with whom they have contracted.

● The articles of association will define the partners' rights and obligations and the manner in which profits shall be divided among them.

● In the case of a mixed Kuwaiti-foreign joint venture, the Kuwaiti partner must stand as surety for the obligations of the foreign partner, whose name does not appear in business transactions.

KUWAIT-REGISTERED LEGAL ENTITIES

Kuwaiti public shareholding companies (KSC) must be 100 per cent locally-owned.

The structural alternatives open to foreign participants are: the general partnership; the limited liability partnership (WLL); the private shareholding company (KSC Closed).

The Ministry of Commerce is unlikely to register new mixed-nationality KSCs except for industrial projects.

THE GENERAL PARTNERSHIP

The general partners are jointly and severally liable for the company's obligations, for all of their assets, although provision may be made for the inclusion of one or more limited partners.

Such an association would need to be negotiated on a personal basis. In any case the law requiring at least 51 per cent Kuwaiti capital and profit distribution rights applies.

THE LIMITED LIABILITY PARTNERSHIP (WLL)

This is an association of not more than 30 natural persons (individuals can act as nominees for foreign companies), in which each person is liable only to his extent of his share in the capital.

The minimum capital requirement is KD 7,500 ($28,000), but the Ministry of Commerce will wish to satisfy itself that the proposed capital is adequate for the activities to be undertaken. The share of the Kuwaiti partner(s) must not be less than 51 per cent.

The shares of the WLL are registered and are freely transferable between members, but side-letters with the other partners are commonly obtained to protect the foreign partner. There is a pre-emptive right of purchase of an outgoing partner's share (provided always that foreign participation does not exceed 49 per cent), at a price not less than that offered by third parties.

WLLs may not engage in insurance, commercial banking or investment on behalf of third parties.

The directors of a WLL shall be jointly responsible to the partnership, the members and third parties for any violation of the law or of the memorandum of association, and for mismanagement in accordance with the rules applicable to joint stock companies.

A WLL shall be dissolved in any of the instances in which a joint stock company may be dissolved (Article 170 of the *Law of Commercial Companies*). Where as a result of loss, the capital falls below KD 7,500, any party concerned may apply for dissolution. Its assets must be liquidated in accordance with the provisions of Articles 172-177 of the Commercial Law.

The Memorandum of Association of a WLL is in the form of a notarised deed (a pro-forma is issued by the Ministry of Commerce) stating the name of the company and its members, its objects, capital and duration.

The formalities for establishing a WLL will only take a matter of weeks, except where the activities to be undertaken require the approval of several ministries.

THE KUWAITI PRIVATE SHAREHOLDING COMPANY (KSC CLOSED)

This is also known as a joint stock company. The admission of any foreign capital to a KSC is subject to government consent, provided always that not less than 51 per cent is Kuwaiti-owned. Consent will be given only where the foreign partner contributes the expertise necessary to operate the company.

The legal formalities are more complex than for a WLL, although the minimum capital requirement, liability limitation and rules for dissolution are the same. The founders (who must be at least five in number) must submit an application for the issue of a government decree authorising the incorporation of a KSC.

The management is vested in an elected board of directors. The chairman (or in his absence the deputy chairman) is the representative of the company in all dealings with third parties. Foreigners may be directors but a majority of the directors must have Kuwaiti nationality.

Shareholders can be natural persons or legal entities (ie *bodies corporate). The accounts* must be kept according to Kuwaiti law and must be certified by auditors registered in Kuwait.

INCENTIVES TO INDUSTRY

For manufacturing projects *or projects which combine* manufacturing with contracting, certain incentives are available. These can include:

● Longterm loans from the Industrial Bank of Kuwait at 5 per cent p.a.

● Equity participation by IBK, when needed to stimulate private investment in new industries.

● Land in industrial areas at nominal rent.

● Tax holidays for up to 10 years.

● Low cost utilities (e.g. electricity at half the already sub*sidised domestic rate).*

● Protective tariff barriers, and in selected cases restriction of competing imports, for the first five years of operation.

● Preference in government purchases to local production of comparable quality, at prices up to 10 per cent higher than imports.

● The waiving of customs duty on imported raw materials or equipment.

TAXATION

The Kuwait Income Tax decree of 1955 originally applied *only to foreign oil companies.* As commercial legislation became more sophisticated any "body corporate" carrying on trade or business in Kuwait either directly or through an agent, was brought within the scope of the tax.

A "body corporate" is defined in Article 14 of the Companies Law as an association which is recognised as having a legal existence entirely separate from that of its individual members, whether formed or registered in Kuwait or elsewhere.

The term "carrying on trade or business in Kuwait" covers:

● The purchasing and selling in Kuwait of property, goods or rights thereto, and maintaining a permanent office in Kuwait where the contracts of purchase and sale are executed.

● The operating of any other manufacturing, industrial or commercial enterprise in Kuwait.

● The letting of any property located in Kuwait.

● The rendering of services in Kuwait (but not including the mere purchasing in Kuwait of property, goods or rights thereto).

N.B. No Kuwait taxation will be applied to the supply element of a contract, which is considered to be trading with Kuwait.

Since 1978 the authorities have sought tax returns from two classes of body corporate operating in Kuwait: foreign contractors; companies or partnerships in which foreign bodies corporate have registered interests. Tax is payable on the foreign partner's share of the profits.

Foreign main contractors requested to fill in tax returns are often required to supply the names and addresses of subcontractors who then in turn will be requested to file tax returns.

In 1980 the Ministry of *Finance* issued a circular requiring contractors on government projects to obtain a tax clearance certificate before receiving the last payment under their contract. This is now a contractual condition in many government tenders.

CORPORATE TAX RATES

Taxable profits (ie, after deduction of depreciation and transfers to the legal reserve, with some other allowances) are assessed in 10 steps above the tax-free minimum: up to KD 5,250 ($19,000)—Nil: over KD 375,000 ($1.3m)—55 per cent.

The scales are based only on the foreign share of the profit, not on the total profit of the company. There is no taxation on capital, but it is likely that any capital gains on the disposal of fixed assets would be regarded as income.

Losses can be carried forward without limit, but must be used in any year in which profits are available.

Depreciation is deductible at approved rates, ranging from 4 per cent on buildings to 25 per cent on construction equipment and 33⅓ per cent on cars.

The Taxation Department appears to regard 7.5 per cent of contract value as a maximum deduction for head office costs —including design, engineering and administration costs incurred outside Kuwait.

OTHER LEVIES PAYABLE IN KUWAIT

Social security contributions are payable only in respect of Kuwaiti employees.

The Public Institute for Social Security insures Kuwaiti employees against industrial injury, for which the employer's contribution is assessed as 2 per cent of the employee's salary.

In addition, contributions in respect of old age, invalidity and death are assessed at 10 per cent from the employer and (theoretically) 5 per cent from the employee.

In the case of non-Kuwaiti employees, compensation for industrial injury is provided for in the Labour Law and employers take out private insurance to cover their liability. Employers must also make provisions for leave and terminal benefits for their expatriate employees.

Most corporations regard it as an obligation to donate 5 per cent of their profits to the Kuwait Organisation for Scientific Advancement, whose president is the Amir of Kuwait.

TENDERS

All major public tenders are administered by the Central Tenders Committee attached to the Council of Ministers, as provided for in Law No 27 of 1964.

A foreign company may participate in a public tender in Kuwait only if it has a Kuwaiti merchant acting as its agent or partner (established by contract) and if the tender is one in which non-Kuwaiti companies are permitted to bid.

For open tenders (which in *practice are of interest only to* local companies) bidders must first have applied for registration as an approved contractor or supplier, and have been classified according to their financial and technical capabilities and their experience.

The 1964 law states that contractors classified in the highest category are qualified to undertake contracts worth over KD 1m and up to KD 5m, and these figures still stand.

International contractors interested in today's multi-million dinar projects must therefore *compete in restricted tenders,* for which they are required to prequalify.

Firms wishing to prequalify either as consultants or contractors should therefore approach the client rather than the Central Tenders Committee.

Forthcoming tenders and invitations to pre-qualify are advertised in Kuwait's Official Gazette and posted in the main offices of the Central Tenders Committee, where tender documents may be obtained on payment of the prescribed fee (usually in the range of KD 10 to KD 250).

Article 43 states that the CTC shall award the tender to the lowest bidder, provided his tender conforms to the specifications. Nevertheless, the award may go to a higher bidder if the lower tenderer's bid is unreasonably low or does not inspire confidence that the work will be properly performed. In other cases the CTC may refer the matter to the Council of Ministers, if it believes there is strong justification for selection of a high bidder.

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Mary Frings